

# **Institutional Assessment of the Foundation for Civil Society**

**(Final Report)**

**By**

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**For**

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## Table of Contents

<b>Acknowledgements</b> .....	<b>iii</b>
<b>Abbreviations</b> .....	<b>iv</b>
<b>Executive Summary</b> .....	<b>v</b>
<b>1. INTRODUCTION</b> .....	<b>xii</b>
<b>1.1 Background</b> .....	<b>1</b>
<b>1.2 Objective of the Assessment</b> .....	<b>1</b>
<b>1.3 Evaluation Approach and Methodology</b> .....	<b>2</b>
<b>1.4 Evaluation Team</b> .....	<b>2</b>
<b>2. MAJOR FINDINGS AND RECOMMENDATIONS</b> .....	<b>3</b>
<b>2.1 Assessment of Organizational Capacity</b> .....	<b>3</b>
2.1.1 Capacity to Implement and Achieve Results.....	3
2.1.2 Corporate Culture .....	7
2.1.3 Capacity for Processing and Assessing of Grant Applications, Selection of Grantees and Follow-up .....	7
2.1.4 Capacity of FCS to Integrate Cross-Cutting Themes .....	9
2.1.5 Governance System .....	9
2.1.6 Overhead Cost .....	10
2.1.7 Accountability with Respect to Expected Results (Outputs and Outcomes) .....	10
2.1.8 Absorptive Capacity .....	11
<b>2.2 Risk Assessment</b> .....	<b>16</b>
2.2.1 Financial Risk Assessment .....	16
2.2.2 Internal Risk Management Strategy .....	17
2.2.3 Track Record in the Use of Donor Funds.....	18
<b>2.3 Sustainability</b> .....	<b>19</b>
<b>2.4 The Role of FCS as an “Outcome Investor”</b> .....	<b>20</b>
<b>3. OVERALL ASSESSMENT RATING</b> .....	<b>23</b>
<b>Annex 1 Persons Met and Interviewed</b> .....	<b>24</b>
<b>Annex 2 FCS Organogram</b> .....	<b>26</b>
<b>Annex 3 Assessment of Public Debates Organized by the Foundation</b> .....	<b>27</b>
<b>Annex 4 Terms of Reference for the Institutional Assessment of FCS</b> .....	<b>29</b>
<b>Annex 5 FCS Literature Reviewed</b> .....	

**Charts**

**Chart 1: Approved Grants by Product Type and by Numbers of Grantees: 2003-2005 ..... 5**  
**Chart 2: Approved Grants by Product Type and by Value of Grants : 2003-2005 ..... 6**  
**Chart 3: Approved Grants by Thematic Areas and by Numbers of Grantees: 2003-2005 ..... 13**  
**Chart 4: Approved Grants by Thematic Areas and by Value of Grants: 2003-2005..... 14**

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Yusuf Kassam and Ruta Mutakyahwa

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## Abbreviations

CBO	Community Based Organization
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
CIDA	Canadian International Development Agency
DCI	Development Cooperation Ireland
DFID	Department for International Development (UK)
EDI	Economic Development Initiatives
ESRF	Economic and Social Research Foundation
GO	Grants Officer
LFA	Logical Framework Analysis
NGO	Non-Governmental Organization
RBM	Results Based Management
RNE	Royal Netherlands Embassy
SDC	Swiss Development Cooperation
TACOSODE	Tanzania Council for Social Development
TANGO	Association of Tanzania Non-Governmental Organizations

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## Executive Summary

### Introduction

This Executive Summary highlights the main findings and recommendations of the Institutional Assessment of the Foundation for Civil Society (FCS). The field mission for the evaluation was carried out in Tanzania in February, 2006.

Data for the evaluation were collected through using a combination of both conventional and participatory evaluation methods: file and documentation review, focus group discussions, face-to-face interviews and consultations with different stakeholders in Tanzania, and stakeholder interaction with the Management Team of the Foundation. A total of 44 persons were interviewed.

### Program Description

The Foundation for Civil Society (FCS) is one of the largest support mechanisms for capacity building and grant support to Civil Society Organizations (CSOs) in Tanzania. FCS aims to strengthen civil society's engagement in poverty reduction offering grants in policy engagement, safety nets for the vulnerable, governance and advocacy/network strengthening.

The FCS is a pooled funding mechanism funded by like-minded donors: Department for International Development (DFID), Swiss Agency for Development Cooperation (SDC), Royal Netherlands Embassy (RNE), Development Cooperation Ireland (DCI) and Royal Norwegian Embassy. CIDA has been a member of the Council for the FCS for the past two years.

The decision by the Development Partners to provide basket funding for the Civil Society Organizations in Tanzania through the organizational mechanism of the Foundation for Civil Society represents a prudent and visionary intervention in the development dynamics of Tanzania. Such a move balances the parallel general budget support provided to the Government of Tanzania by a number of donors.

### Main Findings

#### *Capacity to Implement and Achieve Results*

FCS is a highly professional and competent grant-making organization. The capacity of FCS to plan, manage and administer grants to CSOs is highly satisfactory. It has good management systems in place and they are functioning well. Its financial management system is sound with effective and efficient procedures, procurement practices, checks and controls.

The organisational structure of FCS is appropriate in relation to its main functions and activities. However, the Grants Department and the Development Department operate as "stove pipes" leading to programmatic fragmentation and isolation. There is a communications barrier and a lack of teamwork between the two departments.

The number of grants made by the Foundation has been increasing over the years from 36 grants made in 2003, 107 in 2004, and 240 in 2005. By the end of 2005, over 8 billion Tanzanian Shillings (equivalent to over US \$8 million) were disbursed.

Despite the lack of continuity in the leadership of the Foundation at the Executive Director level, and despite the significant staff turnover, the organization has been able to function well and deliver

highly satisfactorily in its grant-making mandate.

### ***Corporate Culture***

Since the Foundation is a fairly young organization, it is not yet widely known in the country. Consequently, the perceptions of the various stakeholders are mixed. Those who are more familiar with the Foundation recognize the Foundation to be a local Tanzanian organization. Other stakeholders view the Foundation as an extension arm of the external donors, while some think that it is an International NGO.

In terms of the Foundation's relationship with its grantees, it is generally viewed as an arms-length and a donor-recipient relationship. In many instances, it has been difficult for the grantees to have an easy access to, and consultation with, the Grants Officers of the Foundation. The term "unfriendly" has also been invoked by a couple of grantees to refer to one of the Foundation's characteristics.

### ***Capacity for Processing and Assessing of Grant Applications, Selection of Grantees and Follow-up***

The Foundation has a thorough, rigorous, and risk sensitive systems and procedures for the screening and approval of grant applications. It is clearly evident that this task is done with due diligence. The use of grants made and the progress made in the implementation of the grantees' projects is followed-up through site visits by the Grants Officers, the Grantee Facilitator, the Internal Grantee Auditor and the Monitoring and Evaluation Officer, through quarterly reports submitted by the grantees, and by periodic impact and financial audits carried out by the consulting firm of Economic Development Initiatives (EDI).

The Grants Officers involved in processing grant applications have adequate academic qualifications. However, the workload of the Grants Officers is increasing rapidly as the number of applications and grantees increases. This is a cause for concern.

### ***Capacity of FCS to Integrate Cross-Cutting Themes***

The Foundation does not integrate cross-cutting themes of gender equality, environment and HIV/AIDS *per se*. It does not require the grant applicants to integrate the cross-cutting themes in their projects. However, over the last three-year period (2003-2005), the total number of grants made to HIV/AIDS, women's organizations/projects and the environment as stand-alone projects were 102 (accounting for 24% of total disbursement), 18 (3% of total disbursement), and 8 (1% of total disbursement) respectively.

### ***Governance System***

The Board has proved to be a very diligent, effective and conscientious organ of the Foundation. While for the past three years, the Board has been chaired by a representative of one of the Development Partners and some of the Board Directors have also been representatives of Development Partners, it has now been agreed that the Board should consist entirely of Tanzanians by the end of May, 2006. This is a right decision.

In the past, by virtue of the fledgling phase of the Foundation and the leadership gaps, the Board has been involved in the micro-management of the Foundation. With the maturing of the Foundation, the micro-management role of the Board has been decreasing, and appropriately so.

The difference between the role of the Board and the Council seems to be rather fuzzy. While the Council of Members functioning as another governance layer of oversight and stewardship was necessary in the initial years of the Foundation, its role and existence are now questionable, given the proven responsible and effective role of the Board and the relative maturity of the Foundation.

### ***Overhead Cost***

The Foundation's regulations stipulate that the overhead cost be limited to 20% of the total budget excluding capital expenditure and the institutional development budget groups. In 2005, the overhead cost amounted to 18.2% of the total budget. The ratio of overhead cost to program cost will get lower with the disbursement of increasing grant funds. This is a reasonable overhead cost.

### ***Accountability with Respect to Expected Results (Outputs and Outcomes)***

The Foundation has not paid due attention to the developmental results it expects to achieve through the substantial funding support it provides to CSOs. This is a major deficiency of the Foundation. This weakness manifests itself in a number of ways: (1) The Foundation does not have a Logical Framework Analysis (LFA) and the Foundation is not familiar with the Results-Based Management approach; (2) While the grantee CSOs are required to submit regular reports on their respective projects' results, most of these reports focus on the outputs only; (3) There is a lack of adequate understanding among the Foundation staff and the grantees on the distinctions between outputs, outcomes and impacts. These terms very often are used interchangeably; and (4) The Foundation has not documented the results achieved by the grantees, even if most of those results focus on the outputs. The Foundation's Annual Reports do not contain any information on the developmental results achieved.

### ***Absorptive Capacity***

As the Foundation gets to be known more widely in the country, the number of grant applications and the eventual number of grantees will most likely increase and might become unmanageable. The number of grant applications in 2005 almost doubled from 2003 (from 650 to 1,132), and the number of grantees in 2005 more than doubled from 2004 (from 107 to 240). This issue raises the question of the Foundation's absorptive capacity to manage its grant-making task ranging from processing a large number of grants applications, selecting grantees, making site visits to the grantees' projects, perusing grantee reports, and other follow-up activities.

The intention of the Foundation to hire more Grants Officers will help in alleviating this problem, but this is perhaps a short-term solution. So the issue at stake is how can the Foundation maintain its high standards that guide its grant-making without being overwhelmed by the expected large number of grant applications and grantees. This issue poses a dilemma for the Foundation. It raises a number of difficult questions and options.

The Foundation needs to strategize and make choices in order to avoid the looming crisis of being deluged and overstretched with a large number of grantees in a year or two from now. The Foundation needs to strategize and plan, and to plan is to make choices. This assessment report suggests a *combination* of ways and options that can be considered by the Foundation.

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***Financial Risk Assessment and Internal Risk Management Strategy***

Although FCS may be said to be young, it has in place good financial management policies, systems and procedures. It has a strategic plan that guides its operations. There are annual plans and budgets based on the 2005-2008 Strategic Plan. Expenditures as indicated in quarterly reports are compared with what had been planned and budgeted for. The Foundation has what one may call double control measures in the Grants Department and in the Finance Department. Both units are aware of the amount of funds allocated for each project and grantee, the amount disbursed and the remaining balance.

Procurement practices look sound as there are procedures that have been approved by the leadership and the Board.

The Foundation's books of accounts are audited by an and internationally recognized auditors: Pricewaterhouse Coopers in 2003 and Ernst and Young in 2004.

The Foundation's internal risk management strategy is quite sound. In fact, the Foundation is generally risk-averse. It has a number of detailed strategies and procedures in place that are followed diligently to minimize and mitigate risks.

***Track Record in the Use of Donor Funds***

All the accounting and monitoring systems are in place to track the use of donor funds. These systems follow the generally accepted accounting principles and the regulations set up by accounting bodies in the country, such as the National Board of Accountants and Auditors (NBAA). The disbursement and record-keeping of grants made to CSOs involve a number of systematic steps and practices.

***Sustainability***

Currently, all programs and activities of FCS have relied entirely on external financial support. Apart from one pledge that has been made from the corporate sector, there have not been any other funds that have been raised from local sources including the government. A number of recommendations are made in this report towards achieving financial sustainability over the long-term.

***The Role of FCS as an "Outcome Investor"***

Under the Foundation's Strategic Plan for 2005-2008, the Foundation intends to be an "outcome investor" rather than an arms-length funder. This is a right conceptual and developmental move since grant-making to CSOs is a means to an end – means to achieving developmental outcomes and impacts.

However, the Management staff and a number of Board Directors and Council Members do not have an adequate familiarity with the notion of an "outcome investor" and what it can entail. To date, three activities that the Foundation engages in as an outcome investor are the two-day grant management training provided to the grantees; public debates; and the advice and guidance provided to the grantees by the Grantee Facilitator in the management and implementation of their respective projects.

In order to help the Foundation in further fulfilling its intended role as an outcome investor, the evaluators have suggested a number ideas and recommendations to be considered by the Foundation.

## Overall Assessment Rating

Area	Highly Satisfactory (in compliance with required standards)	Satisfactory (including plans towards improving the system or procedure)	Not Satisfactory (has not been achieved or addressed in plans)
<b>A. CAPACITY ASSESSMENT</b>			
Capacity of FCS to manage and implement and implement grant-making	X		
Capacity to integrate cross-cutting themes			X
Internal management systems and practices	X		
Corporate culture		X	
Accountability with respect to expected results (outputs and outcomes)			X
Overhead cost	X		
Implementation of recommendations from previous impact assessments		X	
Sustainability plan			X
Capacity to follow-up on grants	X		
<b>B. RISK ASSESSMENT</b>			
Financial risk assessment	X		
Track record in the use of donor funds	X		
Internal risk management strategy	X		

## Major Recommendations

It is recommended that:

1. The Grants and Development Departments should work closely together as a team in order to avoid programmatic fragmentation and isolation.
2. The Foundation should prepare an LFA based on Results Based Management (RBM) and training be provided to all the FCS staff on RBM that will clarify the distinctions between activities, outputs, outcomes, and impacts. A similar kind of orientation could be provided to the CSO partners.
3. It is also recommended that the Foundation's Annual Reports include highlights of results achieved from the grantees' projects.
4. The Council of Members be abolished and replaced by a Committee of Development Partners that can manage and coordinate the basket funding for the Foundation and seek appropriate information and documentation from the Foundation and the Board on a regular basis. In the course of fulfilling the accountability requirements of the funding provided, the Committee can convene a bi-annual forum with the Board and the Foundation's Management Team.
5. The Foundation should require all grant applicants to integrate the cross-cutting themes of gender equality, HIV/AIDS and the environment in their proposed projects, for which the Foundation needs to develop appropriate guidelines.

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6. In order to avoid the Foundation's capacity from being overwhelmed and overstretched by the expected large number of grant applications and grantees over the next two years, and in order to maintain its high standards that guide its grant-making, the Foundation needs to plan, strategize and strike a balance between the rolling small grants, medium grants and strategic grants as well as a balance in the thematic areas. In doing so, the following *combination* of ways and options can be considered by the Foundation.
- (i) Reduce the number of RSGs, which means providing grants to a smaller number of small CSOs and CBOs.
  - (ii) Make grants to those CSOs whose programs have multiplier effects in the capacity building and networking of smaller CSOs.
  - (iii) Limit the provision of the rolling small grants to a maximum of two years, instead of the present three.
  - (iv) Give priority to work done in the thematic areas of policy, advocacy and governance which have a potential of having a wider and long-term impact on strengthening the voice of civil society in influencing government policy, promoting good governance, and enhancing the government's accountability to its citizens, all of which can ultimately and strategically contribute to poverty reduction. Giving priority to advocacy and lobbying work with its potential for influencing government policy in different sectors of development would be desirable. Emphasis in these areas would represent a very strategic approach in the development paradigm of strengthening civil society.
  - (v) All applications received for projects in the area of HIV/AIDS can be re-directed to the HIV/AIDS Rapid Funding Envelope or to the Global Fund.
  - (vi) It would be advisable for the donors not to exert undue pressure on the Foundation to disburse all the available funds provided in a given timeframe at the expense of overstressing the Foundation's capacity and compromising the quality of grant-making.
7. In the efforts to achieve the Foundation's financial sustainability over the long-term, the following major recommendations are made:
- (i) Diversify the funding sources.
  - (ii) Facilitate training programs in the area of local resource mobilisation/fund-raising for the Foundation's CSO partners.
  - (iii) In consultation with its Development Partners, FCS may invest some of its funds (not of immediate use) into viable investments including fixed deposits.
  - (iv) Establish an Endowment Fund. It is recommended that the Development Partners contribute a certain small percentage of their funds annually to the Foundation's Endowment Fund.

- (v) Establish and build relationships with the private sector as partners in development and promote Corporate Social Responsibility. Through Corporate Social Responsibility, the private sector could enter into partnerships with some of the Foundation's CSO partners as well as contribute to the Foundation's Endowment Fund.

8. In enabling the Foundation to extend its role of an "outcome investor", the following recommendations are made:

- (i) The Foundation pay due attention to the results/outcomes that are being achieved by the grantees' projects. These results can be culled from the grantees' reports and supplemented by the observations made by the Grants Officers, by the Monitoring and Evaluation Officer, and the Grantee Facilitator. These results need to be synthesized and documented under each of the Foundation's four thematic areas. The highlights of these results should also be included in the Foundation's Annual Reports.

The portrayal and documentation of the development results achieved should also serve a source from which the Foundation can draw lessons that can be applied to future programming.

Lastly, the results and lessons learned should be shared with the wider CSO/NGO community and with the government.

- (ii) The relationship between the Foundation and the CSOs which receive the grants should be one of "partnership", not that of a donor-recipient relationship. The so-called "grantees" should be viewed and treated like "partners" in the same development boat. The organizational culture of the Foundation as a whole should be imbued with the spirit of partnership. The CSO partners need help, advice, guidance and encouragement. In this partnership relationship, efforts need to be made to foster mutual respect, mutual trust, mutual transparency, and reciprocal accountability between the Foundation and its CSO partners.
- (iii) The Foundation should facilitate the capacity-building of its partners. The Foundation can contract other appropriate organizations such as TRACE to provide training in such areas as management, organizational development, financial management, project design, monitoring and evaluation, networking, resource mobilization and fund-raising techniques, etc.

This capacity-building of the CSOs will, among other things, strengthen their capacity to produce better results, raise their profile and credibility in the districts and with the District Councils, and enable them to raise funds from other sources.

- (iv) The Foundation could establish formal relationships with NGO umbrella organizations and networks in order to share ideas and experiences in civil society strengthening and poverty reduction, identify trends and issues, and promote dialogue between CSOs, the government, and the private sector.
- (v) Last but not least, the Foundation can be pro-active in the development dynamics of Tanzania. The Foundation should be less risk-averse and take calculated risks in taking strategic initiatives. In other words, the Foundation should think outside of "the box" of just grant making. For example, it could initiate and facilitate a process of building partnership between the private sector and CSOs. The potential for engendering such a partnership is

quite promising given the recent encouraging signals from the private sector, which include a pledge made by the Chairman of the IPP Group of Companies who is also a Chairman of the Confederation of Tanzanian Industries of contributing 200 million shillings (approximately \$200,000) to the Foundation; the donation made by the Standard Chartered Bank for community development projects in the area of education, health, etc. (February, 2006); and the donations worth 3 billion shillings made by Vodacom and other local companies to the National Drought Relief Fund (February, 2006).

Among other things, this recommended initiative by the Foundation could involve attempts to raise the awareness and understanding of the private sector on ‘corporate social responsibility’ (CSR) as different from mere charity or corporate philanthropy.

Such an initiative could also involve a feasibility study on the potential and strategies for promoting CSR in Tanzania. Such a study could be funded by the Foundation itself or by any one or more of the Development Partners.

In all of this endeavour, the private companies who have demonstrated their will to support CSOs, could be used as champions in advocating the cause of corporate social responsibility. The initiation of such a process can then take a life of its own spearheaded by the private sector itself, a process which has the potential of resulting in a number of outcomes:

- A Centre for CSR could be established whose primary role could be to engage in advocacy work for CSR and in the raising of awareness and understanding of CSR. Such a Center would most likely receive an enthusiastic support of one or more external donors.
- Over a period of time, the private sector may decide to set up a Tanzania Business Coalition for Social Development through which businesses can make regular contributions to a Development Fund for supporting the development projects of CSOs.
- With the help of the Foundation and other organizations, the individual member companies of the Coalition may want to establish direct partnerships with individual CSOs in specific sectors of development.
- The Coalition could decide to contribute a certain percentage of their Development Fund to the Foundation’s Endowment Fund.

This is a golden opportunity for the Foundation to pioneer the process of developing corporate social responsibility.

## **INTRODUCTION**

### **1.1 Background**

The Foundation for Civil Society (FCS) is one of the largest support mechanisms for capacity building and grant support to civil society organizations in Tanzania. FCS aims to strengthen civil society's engagement in poverty reduction offering grants in policy engagement, safety nets for the vulnerable, governance and advocacy/network strengthening.

The mission statement of the FCS is: 'To provide grants and other capacity building support to civil society organizations to enable economically disadvantaged and vulnerable citizens to access information and understand laws, policies and their rights; engage effectively in policy monitoring and dialogue on poverty reduction; contribute to social development and to constructively hold the Government of Tanzania (GoT) and private sector to account.'

The Foundation for Civil Society, an innovative responsive funding mechanism for CSOs across Tanzania, is the first of its kind to emphasize civil society's role on the "demand" side so explicitly and to make the link with delivery of the Poverty Reduction Strategy. The FCS currently offers three grant programs, capacity building initiatives and research. The grant programs are: (a) Rolling Small Grants (Tsh 5 million/year);(b) Medium Grants (Tsh 35 million/year up to three years) and (c) Strategic Grants (Tsh 100 million/year up to three years). Capacity building initiatives include policy forums, grant holder training and development workshops. The FCS reaches out to rural areas through information sessions and information centers in five 'information point' offices (i.e. Zanzibar, Mbeya, Singida, Mtwara and Arusha). A new program, registration grants, to assist in the registration of CSOs is being implemented so that local organizations are eligible for FCS grants.

The FCS is a pooled funding mechanism funded by like-minded donors: Department for International Development (DfID), Swiss Agency for Development Cooperation (SDC), Royal Netherlands Embassy (RNE), Development Cooperation Ireland (DCI) and Royal Norwegian Embassy. CIDA has been a member of the Council for the FCS for the past two years.

The decision by the Development Partners to provide basket funding for the Civil Society Organizations in Tanzania through the organizational mechanism of the Foundation for Civil Society represents a prudent and visionary intervention in the development dynamics of Tanzania. Such a move balances the parallel general budget support provided to the Government of Tanzania by a number of donors.

### **1.2 Objective of the Assessment**

The objective of this Institutional Assessment of the Foundation for Civil Society is to feed its findings into the decision-making process of development partners considering to provide financial support to the Foundation over the implementation of its Strategic Plan (2005-2008).

### **1.3 Evaluation Approach and Methodology**

The evaluation was guided by an Evaluation Framework, which listed the issues to be addressed and their corresponding questions to be posed, sources of data, and data collection methods.

The data collection methods used were the following:

- File and documentation review.
- Individual interviews and consultations with the key stakeholders: FCS, Development Partners, three Board Directors, one Council Member, one member of Selection Committee, five Grantees, and TRACE.
- Interviews with other organizations: Mwalimu Nyerere Foundation, Tanzania Association of NGOs (TANGO), Tanzania Gender Networking Program (TGNP), and the Economic and Social Research Foundation (ESRF).
- Questionnaire administered to the staff of the Foundation.
- Focus group discussion with three Grantees.
- Stakeholder interaction with the Management Team of FCS.

A total of 44 persons were interviewed. Annex 1 contains a list of all organizations and individuals interviewed/consulted.

### **1.4 Evaluation Team**

The evaluation team consisted of Yusuf Kassam, Senior Human Resource Development Specialist from E.T. Jackson and Associates Ltd. (Canada), who served as the Team Leader, and Ruta Mutakyahwa, Director of Resource Mobilization and Management Centre (Tanzania).

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## **2. MAJOR FINDINGS AND RECOMMENDATIONS**

### **2.1 Assessment of Organizational Capacity**

#### ***2.1.1 Capacity to Implement and Achieve Results***

FCS is a highly professional and competent grant-making organization. The capacity of FCS to plan, manage and administer grants to CSOs is highly satisfactory. It has good management systems in place and they are functioning well. Systems and procedures dealing with grants applications, selection of grantees, and the disbursement of funds are clear not only to members of staff but also to grantees and other grant applicants as well. Its financial management system is sound with effective and efficient procedures, procurement practices, checks and controls.

The organisational structure of FCS, consisting of the Grants Department, Development Department, and Finance and administration Department, is appropriate in relation to its main functions and activities (see Annex 2 for the organizational chart). Every employee has a written job description relevant to his/her work. Information gathered from most employees in the Grants and Development Departments revealed that they clearly understood their main tasks and responsibilities.

However, Grants Department and the Development Department operate as “stove pipes” leading to programmatic fragmentation and isolation. There is a communications barrier and a lack of teamwork between the two departments. The Development Department is supposed to keep track of the results achieved by the grantees and also to facilitate the capacity building of the grantee organizations. Yet it is the Grants Department that has the detailed and intimated knowledge of the grantees’ performance. It is imperative for these two departments to work closely with each other.

Members of staff do take part in the decision-making processes mainly through departmental meetings, monthly meetings of all staff, and consultations with managers on individual basis. Files containing various field and grantees’ reports are accessible to all officers. The Management Team meets every week.

Weekly and monthly meetings put the Management Team in a position to make appropriate decisions regarding grants management. The effectiveness of management systems is revealed by the low number of CSOs that are on the sanction list for improper use of the provided grants. This matter is further discussed in Section 2.2.2.

The Foundation is in the process of implementing the recommendations made in May 2005 by the impact and audit studies conducted by the Economic Development Initiatives Limited (EDI). In September 2005, the Development Department prepared a progress report showing the progress made in implementing each recommendation. The steps that have been taken in implementing the recommendations indicate the seriousness of both the Board and the management as regards to improving the performance of their organisation.

Charts 1 and 2 below show the outputs of the Foundation in terms of the number, value, and type of grants given over the last three years. The number of grants made has been increasing over the years from 36 grants made in 2003, to 107 in 2004, and to 240 in 2005. By the end of 2005, a total of over 8 billion Tanzanian Shillings (equivalent to over US \$8 million) were disbursed.

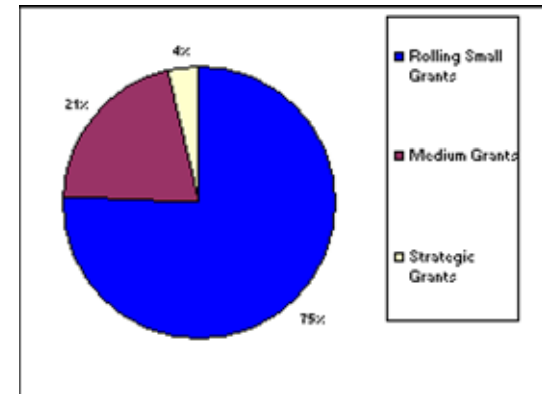
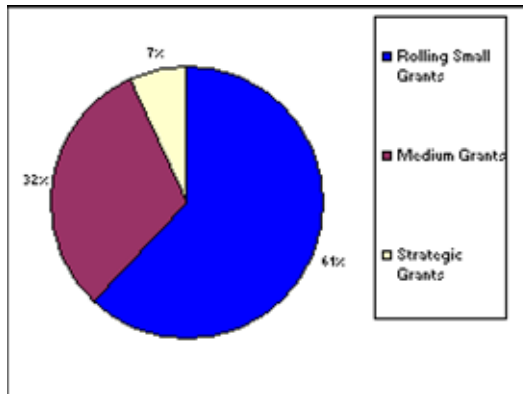
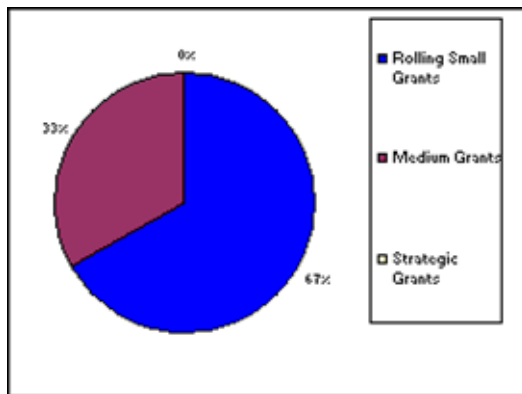
Despite the lack of continuity in the leadership of the Foundation at the Executive Director level<sup>1</sup>, and despite the significant staff turnover, the organization has been able to function and deliver highly satisfactorily in its grant-making mandate.

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<sup>1</sup> Over the last three years, FCS has had three Executive Directors with gaps in-between.

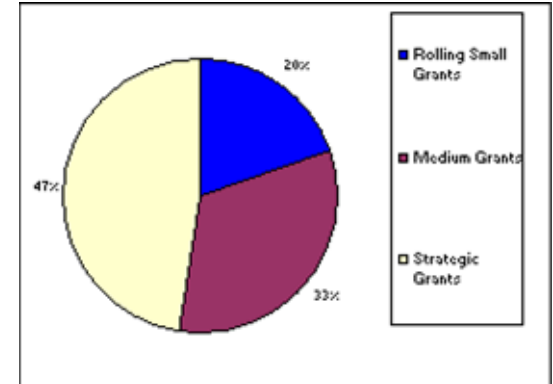
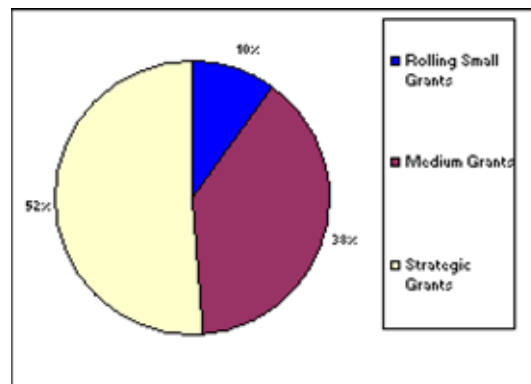
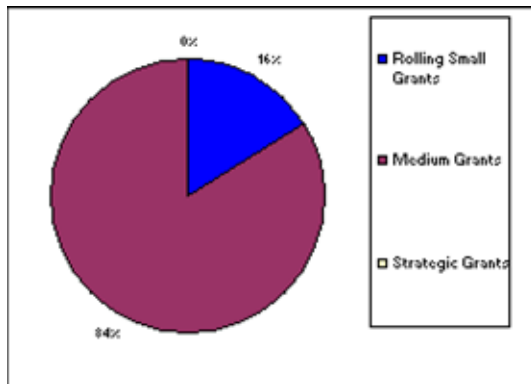
**Chart 1: Approved Grants by Product Type and by Numbers of Grantees: 2003-2005**

2003			2004			2005		
	Number	%		Number	%		Number	%
Rolling Small Grants	24	67	Rolling Small Grants	66	61	Rolling Small Grants	181	75
Medium Grants	12	33	Medium Grants	34	32	Medium Grants	50	21
Strategic Grants		0	Strategic Grants	7	7	Strategic Grants	9	4
Total	36	100	Total	107	100	Total	240	100



**Chart 2: Approved Grants by Product Type and by Value of Grants: 2003-2005**

2003	TSH	%	2004	TSH	%	2005	TSH	%
Rolling Small Grants	118,012,412	16	Rolling Small Grants	315,173,085	10	Rolling Small Grants	883,121,671	20
Medium Grants	599,453,448	84	Medium Grants	1,207,153,443	38	Medium Grants	1,470,896,114	33
Strategic Grants			Strategic Grants	1,614,037,560	52	Strategic Grants	2,144,978,023	47
Total	717,465,860	100	Total	3,136,364,089	100	Total	4,498,995,808	100



### **2.1.2 Corporate Culture**

The issue of corporate culture is assessed in two aspects: (1) the perceptions of the Stakeholders, and (2) the internal organizational culture in its relationship with the grantees.

Since the Foundation is a fairly young organization, it is not yet widely known in the country. Consequently, the perceptions of the various stakeholders are mixed. Those who are more familiar with the Foundation recognize the Foundation to be a local Tanzanian organization. Other stakeholders view the Foundation as an extension arm of the external donors, while some think that it is an International NGO<sup>2</sup>.

In terms of the Foundation's relationship with the grantees, it is generally viewed as an arms-length<sup>3</sup> and a donor-recipient relationship. In many instances, it has been difficult for the grantees to have an easy access to, and consultation with, the Grants Officers of the Foundation. The term "unfriendly" has also been invoked by a couple of grantees to refer to the one of the Foundation's characteristics.

### **2.1.3 Capacity for Processing and Assessing of Grant Applications, Selection of Grantees and Follow-up**

The Foundation has a thorough, rigorous, and risk sensitive systems and procedures for the screening and approval of grant applications. It is clearly evident that this task is done with due diligence. There are detailed guidelines and procedures for screening these applications. The grant application form, which demands a wide range of details about the applicant's organization and proposed project, originally consisted of a 36-page booklet. The booklet has now been simplified and reduced to 18 pages.

After carefully scrutinizing the grants applications, the Grants Officers (GOs) prepare summaries of the applications and forward them to the Selection Committees. The final selection of grant awards is done by independent Selection Committees consisting of outside persons, one for each product type: Small Rolling Grants, Medium Grants and Strategic Grants. Committee members are experienced practitioners in the civil society sector. They have guidelines and score sheets that they use in reaching decisions.

After approving the grants applications, the grant holders are required to participate in a two-day training on Grant Management.

Once the grants are made to CSOs, the grantees are monitored and followed-up on the use of the grant and on their management and implementation of projects. This task is carried out by both the Grants and Development Departments. Each project has a GO who handles all matters relating to the concerned grantee. Site visits, telephone conversations and regular reports from the grantees are used to monitor the grants. Things looked at include project schedules, actual

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<sup>2</sup> The name of the organization, Foundation for Civil Society, does not give it any Tanzanian identity. Perhaps it should be re-named as the Tanzania Foundation for Civil Society.

<sup>3</sup> The arms-length relationship with the CSO applicants is perhaps appropriate but only to the length of time prior to the approval of the grants.

project expenditures compared with budgets and project planned outputs. Relevant documents supporting expenditures are obligatory and have to be certified by responsible officers of the concerned CSO. GOs prepare reports and submit them to the Grants Manager. In addition, The Grantee Facilitator visits the grantees and advises them on project management and implementation and writes reports on the progress of the projects' objectives.

Likewise, the Grantees Internal Auditor and the Monitoring and Evaluation Officer under the Development Department carry out follow up activities. They also submit reports to the Development Manager.

Other feedback methods are annual forums, regional training sessions, public debates and other consultative meetings with various stakeholders including the grantees and development partners. Evaluations conducted by the consulting firm of Economic Development Initiatives (EDI) also contribute to the feedback system.

All these follow-up steps are taken to ensure that funds are properly used for the intended results. In turn, they contribute to the mitigation of risks.

The Grants Officers involved in processing grant applications have adequate academic qualifications. Of the 8 employees in the Grants Department, only one does not possess a degree as a minimum academic requirement. Although this person has a diploma, the working experience of 30 years makes this employee capable of executing the expected tasks. Four employees have masters' degrees. In addition to formal education, FCS employees have professional and technical training in the fields of financial management (4) and project management (5). All the personnel in the Grants and Development departments have appropriate computer skills. Weekly Grants Management Technical Meetings help Grants Officers to discuss and clarify emerging problems and issues. Working facilities such as office space, computing equipment and relevant software are adequate for their day-to-day activities.

However, FCS employees recommend some improvements in team building practices and management information systems (MIS), mainly the establishment of CSO database.

The workload of the Grants Officers is increasing rapidly as the number of applications increases. In 2005, for example, each officer handled an average of 40 applications per round compared to 30 in 2003. The work has to be completed within a period of three weeks. While the number of applications increased by 71% between 2003 and 2005, the number of Grants Officers increased by only 29% during the same period. The Foundation intends to hire an addition of 5 Grants Officers by the end of 2006. The danger of heavy workload is that thoroughness during the screening process may be compromised and thus affect the quality of the expected output.

In the event when a grantee does not use the provided funds appropriately, FCS takes the following actions:

- Provides advice and guidance on how to implement the planned project.

- A warning is issued to the concerned CSO and advice is provide during site visits or through other means of communication.
- The concerned Grants Officer may suggest to the Grants Manager to take appropriate action including sanctions or legal measures.
- As a last resort, FCS may impose sanctions including withholding subsequent disbursement of funds. Funds unaccounted for are deducted from subsequent payments.

The findings and lessons learnt from the grants follow-up activities are analysed and recorded. Feedback is sent to the concerned CSO for appropriate action. Also, FCS takes some action as a result of feedback information from its grantees and the public at large. For example, the Application Grant Form has been modified and the number of pages has been reduced from 36 to 18. More suggestions have been presented to the Board of Directors for appropriate action. At the time of this evaluation, FCS had begun taking action on the recommendations made from the Impact Study and Financial Audits carried by the consulting firm of Economic Development Initiatives (EDI).

#### **2.1.4 Capacity of FCS to Integrate Cross-Cutting Themes**

The Foundation does not integrate cross-cutting themes of gender equality, environment and HIV/AIDS *per se*. It does not require the grant applicants to integrate the cross-cutting themes in their projects. The section dealing with the applicants' project description in the application form only requires them to indicate the gender breakdown of the staff and the beneficiaries.

The grants made in these three cross-cutting areas were for stand-alone projects in each of the respective areas. Over the three-year period (2003-2005), a total of 102 grants were made for HIV/AIDS projects, representing 27% of the total grants and 24% of the total disbursement. In the area of gender, a total of 18 grants were made to women's organizations/projects, representing 5% of the total grants made and 3% of the total disbursement. On environmental projects, a total 8 grants were made, representing 2% of the total grants and 1% of the total disbursement.

#### **2.1.5 Governance System**

The Board has proved to be a very responsible, effective and conscientious organ of the Foundation.

The Foundation is governed by a Board of 12 Directors and by a Council of 12 Members. The Board has three independent Selection Committees and six Standing Committees: Executive Committee, Finance and Legal Committee, Advisory Panel on Policy Research and Capacity Building, Grants Review Committee, Medium Grants Selection Committee, and Rolling Small Grants Selection Committee.

While for the past three years, the Board has been chaired by a representative of one of the Development Partners, and some of the Board Directors have also been representatives of

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Development Partners, it has now been agreed that the Board should consist entirely of Tanzanians by the end of May, 2006. This is a right decision.

In the past, by virtue of the fledgling phase of the Foundation and the leadership gaps, the Board has been involved in the micro-management of the Foundation. With the maturing of the Foundation, the micro-management role of the Board has been decreasing, and appropriately so.

The difference between the role of the Board and the Council seems to be rather fuzzy. While the Council of Members, functioning as another governance layer of oversight and stewardship, was necessary in the initial years of the Foundation, its role and existence are now questionable, given the proven diligent and effective role of the Board and the relative maturity of the Foundation.

It is recommended that the Council be abolished and replaced by a Committee of Development Partners that can manage and coordinate the basket funding for the Foundation and seek appropriate information and documentation from the Foundation and the Board on a regular basis. In the course of fulfilling the accountability requirements of the funding provided, the Committee can convene an annual forum with the Board and the Foundation's Management Team.

#### **2.1.6 Overhead Cost**

The Foundation's regulations stipulate that the overhead cost be limited to 20% of the total budget excluding capital expenditure and the institutional development budget groups. In 2005, the overhead cost amounted to 18.2% of the total budget. The ratio of overhead cost to program cost will get lower with the disbursement of increasing grant funds. This is a reasonable overhead cost.

#### **2.1.7 Accountability with Respect to Expected Results (Outputs and Outcomes)**

Grant-making to CSOs is a means to an end, namely the developmental results that the grantee CSOs expect to achieve in the area of safety nets, advocacy, governance and policy, all of which result in the overall strengthening of civil society and poverty reduction.

The Foundation has not paid due attention to the developmental results it expects to achieve through the substantial funding support it provides to CSOs. This is a major deficiency of the Foundation. This weakness manifests itself in a number of following ways:

First, the Foundation does not have a Logical Framework Analysis (LFA)<sup>4</sup>. This means that the Foundation's grant-making program has not specified the kind of outputs, outcomes, and impacts it expects to achieve through its grant-making. The Foundation is not familiar with the Results-Based Management approach.

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<sup>4</sup> A Draft LFA has recently been prepared but has not yet been approved by the Board.

Second, while the grantee CSOs are required to submit regular reports on their respective projects' results, most of these reports focus on the outputs only.

Third, there is a lack of adequate understanding among the Foundation staff and the grantees on the distinctions between outputs, outcomes and impacts. These terms very often are used interchangeably.

Fourth, the Foundation has not documented the results achieved by the grantees, even if most of those results focus on the outputs. The Foundation's Annual Reports do not contain any information on the developmental results achieved. While the Impact Assessments carried out by EDI have documented the results achieved by a sample of grantees, a summary of these results has not found its way in the Annual Reports.

It is recommended that the Foundation prepare an LFA based on Results Based Management (RBM) and training be provided to all the FCS staff on RBM that will clarify the distinctions between activities, outputs, outcomes, and impacts. A similar kind of orientation could be provided to the CSO partners.

It is also recommended that the Foundation's Annual Reports include highlights of results achieved from the grantees' projects (also see Section 2.4 for more details on this recommendation).

### **2.1.8 Absorptive Capacity**

It would be fair to say that the Foundation has grown very rapidly over a short period of three years in terms of the number of grantees it is serving, the level of disbursements, and staff growth without showing any serious cracks in its organizational capacity.

However, as the Foundation gets to be known more widely in the country, the number of grant applications and the eventual number of grantees will most likely increase and might become unmanageable. The Table below shows the rapid increase in the number of grant applications received and the number of grants made over the last three years:

	2003	2004	2005
Number of grant applications	650	751	1,132
Number of grants made	36	107	240

The number of grant applications in 2005 almost doubled from 2003 (from 650 to 1,132), and the number of grants made in 2005 more than doubled from 2004 (from 107 to 240). This issue raises the question of the Foundation's absorptive capacity to manage its grant-making task ranging from processing a large number of grants applications, selecting grantees, making site visits to the grantees' projects, perusing grantee reports, and other follow-up activities.

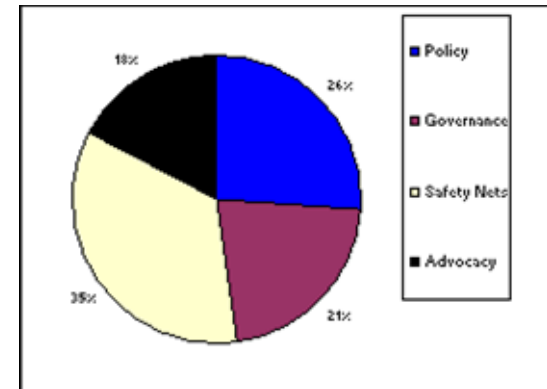
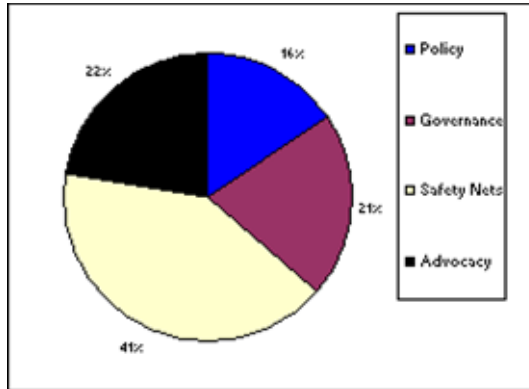
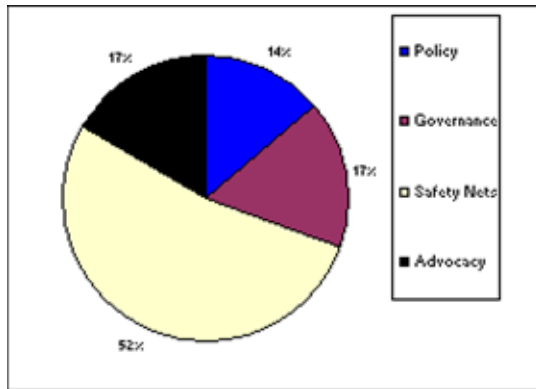
As pointed out in Section 2.1.3 of this report, already the workload of the Grants Department is beginning to become a cause for concern. Currently, there are 6 Grants Officers. The intention

of the Foundation to hire more Grants Officers will help in alleviating this problem, but this is perhaps a short-term solution.

So the issue at stake is how can the Foundation maintain its high standards that guide its grant-making without being overwhelmed by the expected large number of grant applications and grantees. This issue poses a dilemma for the Foundation. It raises a number of difficult questions and options. The pattern and trends of grant-making over the last three years presented in Charts 1 and 2 in Section 2.1.1 (pages 5 and 6) and Charts 3 and 4 presented below will help in shedding some light on how to deal with these questions and options.

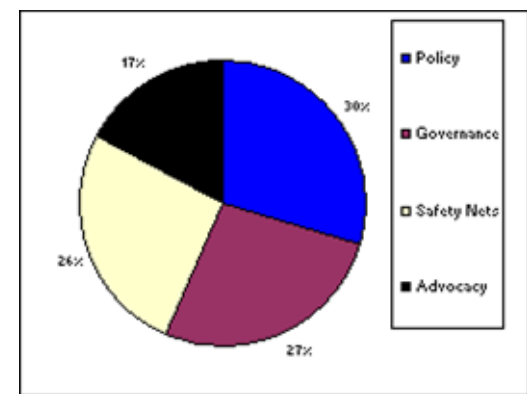
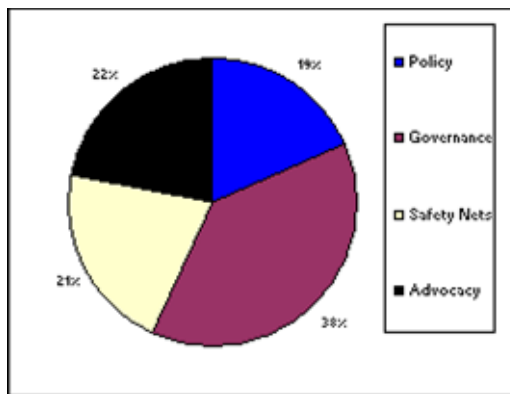
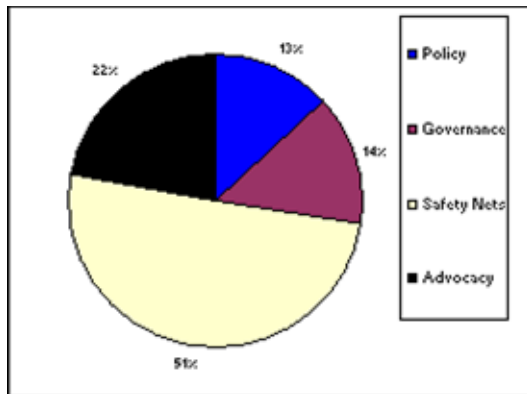
**Chart 3: Approved Grants by Thematic Areas and by Numbers of Grantees: 2003-2005**

2003	Number	%	2004	Number	%	2005	Number	%
Policy	5	14	Policy	17	16	Policy	63	26
Governance	6	17	Governance	22	21	Governance	51	21
Safety Nets	19	52	Safety Nets	44	41	Safety Nets	84	35
Advocacy	6	17	Advocacy	24	22	Advocacy	42	18
Total	36	100	Total	107	100	Total	240	100



**Chart 4: Approved Grants by Thematic Areas and by Value of Grants: 2003-2005**

2003	TSH	%	2004	TSH	%	2005	TSH	%
Policy	96,439,875	13	Policy	582,806,498	19	Policy	1,340,132,458	30
Governance	100,329,770	14	Governance	1,192,454,043	38	Governance	1,192,092,520	27
Safety Nets	361,856,365	51	Safety Nets	663,147,536	21	Safety Nets	1,185,291,508	26
Advocacy	158,839,850	22	Advocacy	697,956,012	22	Advocacy	777,478,822	17
<b>Total</b>	<b>717,465,860</b>	<b>100</b>	<b>Total</b>	<b>3,136,364,089</b>	<b>100</b>	<b>Total</b>	<b>4,498,995,808</b>	<b>100</b>



Charts 1 and 2 in Section 2.1.1 (pages 5-6) show that in 2005, although the small rolling grants (RSGs) made up only 20% of the total grant disbursement of Tanzania 5 billion shillings, the number of RSGs provided was 181, representing 75% of the total of 240 grants made. While the number of medium and strategic grants totaled 50 and 9 respectively, they constituted a large proportion of the disbursements at 33% and 47% respectively (a combined 80% of the total disbursements).

The main question that arises from the above trends is whether the Foundation should put a priority on providing medium and strategic grants, which represent a higher share of the disbursements, and thereby reduce the number of the small rolling grants. In other words, should the Foundation cater less to the small CSOs/CBOs in favour of larger and more established CSOs/NGOs?

Looking at Charts 3 and 4, and disregarding the start-up year of 2003 of the Foundation's operations, the trends in grant making in 2004 and 2005 show that there has been a significant increase in the number of grants made in the areas of policy and governance: from 17 grants in 2004 to 63 in 2005 in policy (a four-fold increase), and from 22 grants in 2004 to 51 in 2005 in governance (more than a double increase). In 2005, grants made in policy and governance accounted for 30% and 27% of the total disbursements respectively.

From the above trends, the question that arises is whether the Foundation should put more priority on applications received for work in the policy and governance areas.

The Foundation needs to strategize and make choices in order to avoid the looming crisis of being deluged and overwhelmed with a large number of grantees in a year or two from now. The Foundation needs to plan, and to plan is to make choices. A *combination* of ways and options can be considered by the Foundation. To stimulate reflection and strategizing, the following are suggested as some of these ways and options.

- (vi) One option would be to reduce the number of RSGs, which means providing grants to a smaller number of small CSOs and CBOs. There is no doubt that many of the small CSOs and CBOs deserve to be supported, and for many of them the Foundation is the only source of funding. However, for pragmatic reasons, the temptation to romanticize these CBOs should be avoided.
- (vii) Another option would be to make grants to those CSOs whose programs have multiplier effects in the capacity building and networking of smaller CSOs. For example, the strategic grant given to the Tanzania Council for Social Development (TACOSODE), which is an NGO umbrella organization, is used to build the capacity of its district networks of member NGOs. Some of the NGOs who have benefited from the capacity building training are FCS grantees. As a result of the capacity building interventions, these NGOs become visible and credible in the districts and are consequently able to work in partnership with the District Councils who have 10% of their budget allocated to development work carried out by NGOs.

- (viii) Another way is to limit the provision of the rolling small grants to a maximum of two years, instead of the present three.
- (ix) Another way would be to give priority to work done in the thematic areas of policy, advocacy and governance which have a potential of having a wider and long-term impact on strengthening the voice of civil society in influencing government policy, promoting good governance, and enhancing the government's accountability to its citizens, all of which can ultimately and strategically contribute to poverty reduction. Emphasis in these areas would represent a very strategic approach in the development paradigm of strengthening civil society.
- (x) All applications received for projects in the area of HIV/AIDS can be re-directed to the HIV/AIDS Rapid Funding Envelope or to the Global Fund. (In 2005, the projects of 30 grantees out of a total of 240 grantees were on HIV/AIDS).
- (xi) It would be advisable for the donors not to exert undue pressure on the Foundation to disburse all the available funds provided in a given timeframe at the expense of overstretching the Foundation's capacity and compromising the quality of grant-making.

These are some of the questions and options that need to be reflected upon by the Foundation's Board. What needs to be done in the strategizing process is to strike a balance between the rolling small grants, medium grants and strategic grants as well as make a balance in the thematic areas.

## **2.2 Risk Assessment**

### **2.2.1 Financial Risk Assessment**

Although FCS may be said to be young it has in place good financial management policies, systems and procedures. It has a strategic plan that guides its operations. There are annual plans and budgets based on the 2005-2008 Strategic Plan. Expenditures as indicated in quarterly reports are compared with what had been planned and budgeted for. The Foundation has what one may call double control measures in the Grants Department and in the Finance Department. Both units are aware of the amount of funds allocated for each project and grantee, the amount disbursed and the remaining balance. Any payment is made against certain requirements such as:

- i) Requests for payment, disbursement schedule and reporting plan, previous expenditure, accountability of previous funds and disbursement are made through banks i.e. cheques or bank transfers.
- ii) Claims and expenditures require supporting documents including receipts, time sheets or attendance rosters of staff or participants receiving payments.
- iii) Reports from grantees have to be certified by responsible officers.

Procurement practices look sound as there are procedures that have been approved by the leadership. These include tender and quotation systems and the use of petty cash to purchase consumable items. The management certifies the credibility of potential suppliers. The Finance and Legal Committee makes a final decision, but any purchase whose value is not more than \$1,000 is within the powers of the management. The Foundation maintains at least two suppliers. The Office Manager is in charge of purchasing goods and keeps various registers.

The Foundation's books of accounts are audited by an internationally recognized auditors: Pricewaterhouse Coopers in 2003 and Ernst and Young in 2004.

### **2.2.2 Internal Risk Management Strategy**

The Foundation's internal risk management strategy is quite sound. In fact, the Foundation is generally risk-averse. It has the following strategies in place to minimize risks.

- i) The application form is detailed, very thorough and comprehensive including banking details, references and monitoring plan.
- ii) The screening process by the Grants Department and the selection committees is very thorough to ensure credibility of organizations and to make proper use of grants.
- iii) Financial and accountability systems and procedures including monitoring and evaluation are in place and are functioning.
- iv) Payment requirements and procedures which include request for payment, disbursement schedule and reporting plan, previous expenditure reports, accountability of previous funds, disbursement through banks, all are intended to ensure proper use and control of funds.
- v) Claims and expenditures require supporting documents such as attendance rosters of staff or participants receiving payments are intended to minimize chances of misusing funds.
- vi) Auditing carried out by Grantees Internal Auditor and external auditor, and impact assessment of CSOs are other means to minimize Foundation's risks.
- vii) Regular reports (progress and end of project) from CSOs are certified by responsible officials.
- viii) There are limits for inter-budget lines transfer without approval of the FCS. CSOs are limited to up to 10% of the budgeted item.
- ix) Disciplinary actions are taken if grants are misused or mismanaged include temporary sanctions like withholding subsequent disbursement of funds, payment less funds unaccounted for and sometimes legal measures may be taken. At the time of this evaluation exercise, three organizations were on a temporary sanction list. In addition, there were 12 organizations, those that had been inherited from the Civil Society Program (CSP) that had previously been managed by CARE, that have been on a permanent sanction list. Further examination revealed that two factors contributed to the sanction measures. The main factor was that most of the

organizations had unacceptable documents to account for the expenditures incurred. Another reason was the non-submission of reports as required. The three organizations that have been put on a temporary sanctions list is a negligible number given the total number of grantees.

In further enhancing risk mitigation, the following measures are recommended:

- i) Consultations with umbrella organizations and like-minded organizations before approving a grant or subsequent payments could help in revealing the financial behaviour or delivery services of some grantees that show signs of not accomplishing their tasks. Networking with other organizations may be of help in providing information on the activities of some organizations so as to avoid financing CSOs involved in active politics.
- ii) Work more closely with grantees (for mutual trust and commitment) and accompaniment rather than mere supervision. Capacity building of CSOs through training in project planning and management ought to be emphasized.

### ***2.2.3 Track Record in the Use of Donor Funds***

All the accounting and monitoring systems are in place to track the use of donor funds. These systems follow the generally accepted accounting principles and the regulations set up by accounting bodies in the country, such as the National Board of Accountants and Auditors (NBAA). The disbursement and record-keeping of grants made to CSOs involve a number of steps and practices as follows:

- FCS signs a contract with the concerned CSO for each grant. The contract is signed by both the Administration and Finance Manager and the Grants Manager.
- Payments are made in installments based on the requests from both the Grants Department and the concerned CSO.
- The accounts section opens and updates a ledger for each grantee.
- Proper checks and references are done before second payments are made. Such references include contract value and remaining balance.
- Depending on the type of grant, the grantee has to submit regular reports to the Foundation as per contract agreements.
- The Foundation submits to the donor quarterly reports that are based on budget lines and showing variances that need explanations in case the variances are substantial. A standard reporting format, indicating the five budget groups, is being used and adhered to. One of the items looked is the overhead cost rate. The regulation stipulates that this rate should be limited to 20% of the total budget excluding capital expenditure and the institutional development budget groups.

### **2.3 Sustainability**

The sustainability of FCS may be looked at from three points of view: (a) the organization's ability to continue functioning as an entity, (b) benefits continue flowing to the beneficiaries (CSOs), and (c) financial sustainability, that is, whether the Foundation has set up sources of continuing finance for its programs. Like any organization, FCS is concerned with its ability to plan and design strategies for implementation of its development activities in such a way that they will continue and grow stronger, years and years long after partnership with current donors has ceased.

FCS's sustainability is looked at in terms of diversification of sources of funds, local resource mobilization, collaboration with other organizations/institutions and preparedness to stand on its own or with less dependency on external donors.

Currently, all programs and activities of FCS have relied entirely on external financial support. Apart from one pledge that has been made from the corporate sector, there have not been any other funds that have been raised from local sources including the government. However, there are some steps that are being taken to reduce the Foundation's vulnerability. These are:

- i) Diversification of donors: In addition to DFID, SDC, the Royal Netherlands Embassy, the Royal Norwegian Embassy, and Development Cooperation Ireland, a few more development partners have shown interest in considering providing support to the FCS.
- ii) Inviting the corporate sector to serve on the Foundation's Board and Council. Each body has two representatives from the corporate sector.
- iii) Inviting prominent business entrepreneurs to officiate certain functions and events. The Chairman and Executive Director of IPP officiated the launching of the first Strategic Plan. As the result, the Guest of Honour pledged a total of 200 million shillings for a period of 3 years.

The Foundation needs to do more to work towards achieving its financial sustainability over the long-term. The following steps may contribute to the Foundation's financial sustainability:

- i) Diversify its sources of support.
- ii) Facilitate training programs in the area of local resource mobilisation/fund-raising for the grantee CSOs.
- iii) In consultation with its development partners, FCS may invest some of its funds (not of immediate use) into viable investments including fixed deposits.
- iv) Establish an Endowment Fund. It is recommended that the Development Partners contribute a certain small percentage of their funds to the Foundation's Endowment Fund.

The Foundation and CSOs in general need to do some homework if they need to get diversified financial support. This includes:

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- i) Proof of results and impacts, that is, added value and changes to the lives of the citizens.
  - ii) Publicity of the work, achievements and impacts of CSOs on the welfare of the people. Such activities may help in building the image and credibility of the civil society sector. It is not just what the sector does, but who knows what the sector is doing. What people think or say matters.
  - iii) Be seen to be transparent and accountable to the public and financial backers.
  - iv) Establish and build relationships with the private sector and promote Corporate Social Responsibility (For more details on this, see Section 2.4).

It is therefore recommended that FCS begin addressing this matter of its financial sustainability and that of its partners, and come up with strategies and concrete action plans.

## **2.4 The Role of FCS as an “Outcome Investor”**

Under the Foundation’s Strategic Plan for 2005-2008, the Foundation intends to be an “outcome investor” rather than an arms-length funder. This is a right conceptual and developmental move since grant-making to CSOs is a means to an end – means to achieving developmental outcomes and impacts. To state the obvious, the Foundation has, in fact, been investing its money with the purpose of producing results in the multidimensional process of development and poverty reduction.

However, the Management staff and a number of Board Directors and Council Members do not have an adequate familiarity with the notion of an “outcome investor” and what it can entail. To date, three activities that the Foundation engages in as an outcome investor are the two-day grant management training provided to the grantees; public debates, and the advice and guidance provided to the grantees by the Grantee Facilitator in the management and implementation of their respective projects.

In order to help the Foundation in further fulfilling its intended role as an outcome investor, the evaluators suggest that the following ideas and recommendations be considered by the Foundation:

1. One of the obvious and necessary tasks that the Foundation should carry out is to pay due attention to the results/outcomes that are being achieved by the grantees’ projects. These results can be culled from the grantees’ reports and supplemented by the observations made by the Grants Officers, by the Monitoring and Evaluation Officer, and the Grantee Facilitator. These results need to be synthesized and documented under each of the Foundation’s four thematic areas. The highlights of these results should also be included in the Foundation’s Annual Reports.

The portrayal and documentation of the development results achieved should also serve as a source from which the Foundation can draw lessons that can be applied to future programming.

Lastly, the results and lessons learned should be shared with the wider CSO/NGO community and with the government.

2. The relationship between the Foundation and the CSOs which receive the grants should be one of “partnership,” not that of a donor-recipient relationship. The so-called “grantees” should be viewed and treated like “partners” in the same development boat. The organizational culture of the Foundation as a whole should be imbued with the spirit of partnership. The CSO partners need help, advice, guidance and encouragement. In this partnership relationship, efforts need to be made to foster mutual respect, mutual trust, mutual transparency, and reciprocal accountability between the Foundation and its CSO partners.
3. The Foundation should facilitate the capacity-building of its partners. The Foundation can contract other appropriate organizations such as TRACE to provide training in such areas as management, organizational development, financial management, project design, monitoring and evaluation, networking, resource mobilization and fund-raising techniques, etc.

This capacity-building of the CSOs will, among other things, strengthen their capacity to produce better results, raise their profile and credibility in the districts and with the District Councils, and enable them to raise funds from other sources.

4. The Foundation could establish formal relationships with NGO umbrella organizations and networks in order to share ideas and experiences in civil society strengthening and poverty reduction, identify trends and issues, and promote dialogue between CSOs, the government, and the private sector.
5. Last but not least, the Foundation can be pro-active in the development dynamics of Tanzania. The Foundation should be less risk-averse and take calculated risks in taking strategic initiatives. In other words, the Foundation should think outside of “the box” of just grant making. For example, it could initiate and facilitate a process of building partnership between the private sector and CSOs.<sup>5</sup> The potential for engendering such a partnership is quite promising given the recent encouraging signals from the private sector, which include a pledge made by the Chairman of the IPP Group of Companies who is also a Chairman of the Confederation of Tanzanian Industries of contributing 200 million shillings (approximately \$200,000) to the Foundation; the donation made by the Standard Chartered Bank for community development projects in the area of education, health, etc. (February, 2006); and the donations worth 3 billion shillings made by Vodacom and other local companies to the National Drought Relief Fund (February, 2006).

Among other things, this recommended initiative by the Foundation could involve attempts to raise the awareness and understanding of the private sector on “corporate social responsibility” (CSR) as different from mere charity or corporate philanthropy. Internationally, a growing number of businesses increasingly recognize that social and environmental responsibility is no longer an option but a self-enhancing imperative.

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<sup>5</sup> Such an initiative is in conformity with one of the stated roles of the Foundation in the 2005-2008 Strategic Plan, namely, “Create space for alternative and innovative approaches to development through the Foundation acting an incubator for experimentation.” It is also in conformity with the Foundation’s Memorandum and Articles of Association, wherein one of the Secondary Objects of the Foundation is stated as “To strengthen dialogue between civil society organizations, the government and the private sector on poverty elimination through networking and coalition building efforts” (Article 3.2.7).

From the “mono” profit bottom-line approach, many businesses are now paying attention to the “triple bottom-line: environmental, societal and financial.” Also, a growing number of businesses are shifting their focus from the shareholder model to stakeholder model, recognizing the need to be accountable to their stakeholders rather than just their shareholders.

Such an initiative could also involve a feasibility study on the potential and strategies for promoting CSR in Tanzania. Such a study could be funded by the Foundation itself or by any one or more of the Development Partners.

In all of this endeavour, the private companies who have demonstrated their will to support CSOs, like those mentioned in 5 above, could be used as champions in advocating the cause of corporate social responsibility. The initiation of such a process can then take a life of its own spearheaded by the private sector itself, a process which has the potential of resulting in a number of outcomes:

- A Centre for CSR could be established whose primary role could be to engage in advocacy work for CSR and in the raising of awareness and understanding of CSR. Such a Center would most likely receive an enthusiastic support of one or more external donors.
- Over a period of time, the private sector may decide to set up a Tanzania Business Coalition for Social Development through which businesses can make regular contributions to a Development Fund for supporting the development projects of CSOs.
- With the help of the Foundation and other organizations, the individual member companies of the Coalition may want to establish direct partnerships with individual CSOs in specific sectors of development.
- The Coalition could decide to contribute a certain percentage of their Development Fund to the Foundation’s Endowment Fund.

This is a golden opportunity for the Foundation to pioneer the process of developing corporate social responsibility.

### 3. OVERALL ASSESSMENT RATING

The following table presents the assessment rating for the key issues listed in the TORs and addressed in this evaluation.

<b>Area</b>	<b>Highly Satisfactory</b> (in compliance with required standards)	<b>Satisfactory</b> (including plans towards improving the system or procedure)	<b>Not Satisfactory</b> (has not been achieved or addressed in plans)
<b>A. CAPACITY ASSESSMENT</b>			
Capacity of FCS to manage and implement and implement grant-making	X		
Capacity to integrate cross-cutting themes			X
Internal management systems and practices	X		
Corporate culture		X	
Accountability with respect to expected results (outputs and outcomes)			X
Overhead cost	X		
Implementation of recommendations from previous impact assessments		X	
Sustainability plan			X
Capacity to follow-up on grants	X		
<b>B. RISK ASSESSMENT</b>			
Financial risk assessment	X		
Track record in the use of donor funds	X		
Internal risk management strategy	X		

## Annex 1 Persons Met and Interviewed

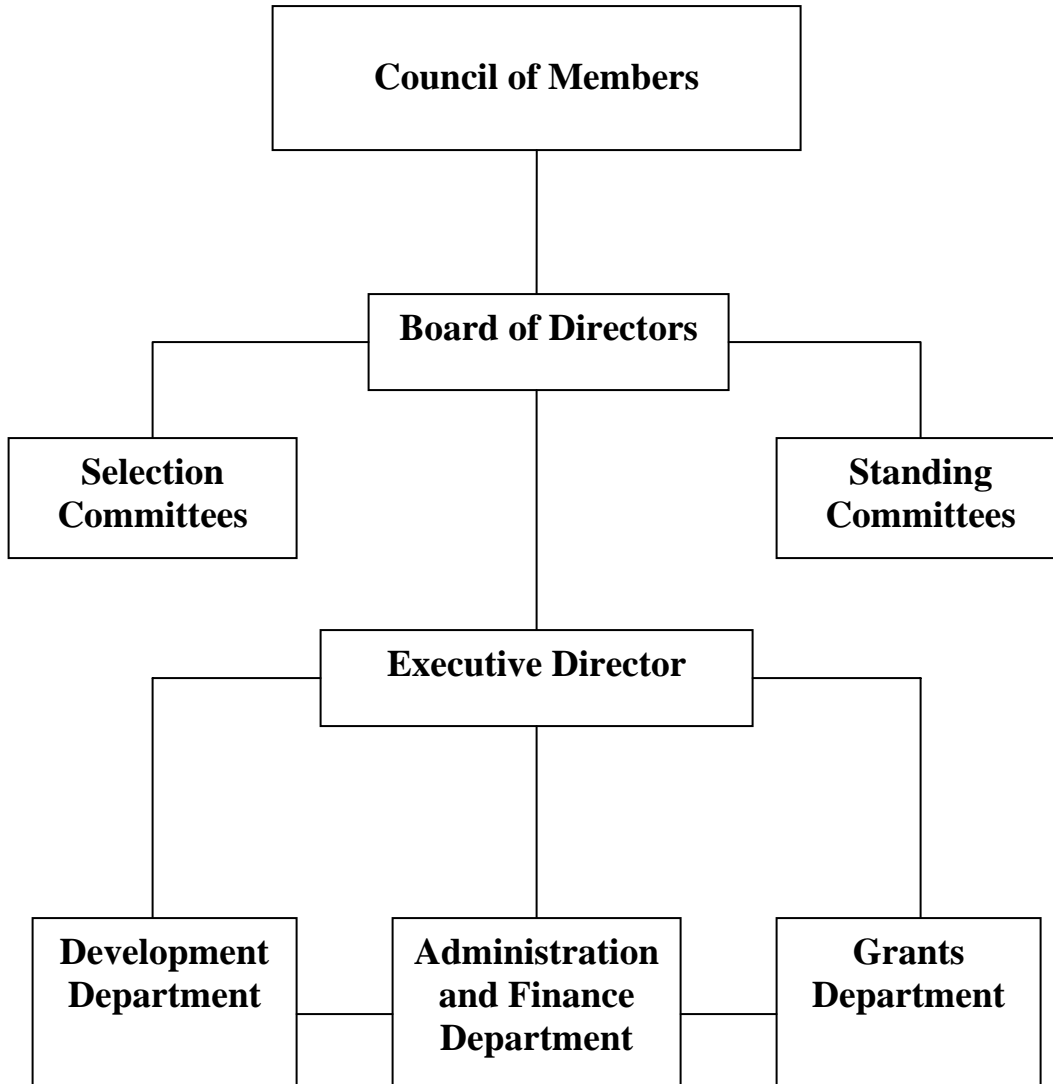
No.	Organization	Name	Title/Position
<b>A: Development Partners</b>			
1.	RNE	Henny de Vries	First Secretary
2.	CIDA	Anne-Lucie Lefebvre	First Secretary (Development)
3.	CIDA	Lise Lamontagne	Development Officer
4.	SDC	Katharina Haeberli	Assistant Country Director
5.	DFID	Naangela Mcharo	Accountability Programme Officer
6.	DFID	Robin Milton	Social Development Adviser
7.	Royal Norwegian Embassy	Amina Joyce Lwasaye	Programme Officer
8.	Embassy of Sweden	Gudrun Leirvaag	Programme Officer- Culture and Media
<b>B: FCS Board, Council and Selection Committee Members</b>			
1.	Board	Prof. Chris Maina	Law Professor
2.	Board	Kaushi Shah	Management Consultant
3.	Council	Amina Joyce Lwasaye	Programme Officer
4.	Selection Committee	Dr. Tengri Urrio	Member
<b>C: FCS</b>			
1.	FCS	John Ulanga	Executive Director
2.	FCS	Onali Salem	Finance & Administration Manager
3.	FCS	Joseph Mzinga	Development Manager
4.	FCS	Amon Mrutu	Grants Manager
5.	FCS	Asha Mbogoro	Grants Officer
6.	FCS	Rehema Shija	Grants Information Officer
<b>D: Grantees</b>			
1.	Journalists Association of Zanzibar (AZ)	Ally Saleh	
2.	Aidnet Zanzibar	Amir H. Amir	
3.	Zanzibar Association for the Blind	Khalfan Khalfan	Board Member, Executive Director
4.	Seven Blind Beats	Boniphace Kiyenze	Chairman
5.		Michael Kirumbi	Treasurer
6.		Mary Msengezi	Secretary
7.	Chang'ombe Youth Theatre	Ibrahim Selemani	Chair
8.		Clement Matwanga	Finance Officer
9.	Children, Youth and Family Support Trust (CHIYOFAST)	Eliada Maneno	Director
10.	Women in Law and Development in Africa (WILDAF)	Judith Odunga	Coordinator
11.		Anna Kulaya	Program Officer
12.	Tanzania Youth Aware (TAYOA)	Peter Masika	Executive Director

No.	Organization	Name	Title/Position
<b>E: Other CSOs and Individuals</b>			
1.	The Mwalimu Nyerere Foundation	Joseph Butiku	Executive Director
2.		Francis Byabato	Fundraising Officer
3.	TGNP	Mary Rusimbi	Executive Director
4.	TACOSODE	Theofrida Kapinga	Executive Director
5.	Ministry of Planning, Economy and Empowerment	Alana Albee	
6.	ESRF	Prof. Haidari Amani	Executive Director
7.		Dr. Oswald Mashindano	Senior Research Fellow
8.	TANGO	Mary Mwingira	Executive Director
9.			Finance Officer
10.	TRACE	Rogers Cidosa	Information & Publications Officer
11.		Elisia Mandara	Trainer/Facilitator
12.		Daud Kweba	Gender Trainer/Facilitator

**Debriefing Session**

S/N	Organization	Name	Position
1.	CIDA	Anne-Lucie Lefebvre	First Secretary (Development)
2.	DFID	Naangela Mcharo	Programme Officer
3.	DFID	Robin Milton	Social Development Adviser
4.	Embassy of Ireland	Paul Sterlock	Development Specialist
5.	Royal Danish Embassy	Ditte Fallcsen	Trainee
6.	RNE	Henny de Vries	First Secretary

Annex 2  
FCS Organogram



## Annex 3

### Assessment of Public Debates Organized by the Foundation

On behalf of the Foundation, TRACE has been conducting public debates. At the time of the evaluation exercise, a total of 15 public debates had been conducted for the 2003/05 period. The 1,748 people who participated in these debates came from the NGO sector, the government as well as the private sector. Experts and practitioners in the chosen themes lead the discussions.

The selection of themes can be said to have been participatory. FCS was involved in the selection of themes, and then TRACE would write a concept paper for FCS to review and make observations/comments. The public too, took part in the selection of topics. At the end of each debate, participants would indicate the theme for the next debate. This helps in selecting themes that are of relevance to people's concerns. The topics covered areas like corruption, poverty reduction, primary education, donor conditions and HIV/AIDS.

There is no doubt that these activities have raised awareness of policies and other issues of concern among the people. The media also helped to inform a wider community through press release and by covering the proceedings of these debates. The following might be said to have resulted from these debates:

- i) Most of the participants noted that it was their first time to become aware of the policies being discussed, their contents and efforts taken to implement them.
- ii) The debates have contributed towards opening up space for ordinary people to participate in the key policy processes such as the newly adopted National Strategy for Growth and Reduction of Poverty (NSGRP - MKUKUTA).
- iii) The debates have helped to put some of issues of concern to the public on a spotlight and reactivate dialogue on them especially in the media.
- iv) The debates have provided a platform for lobby and advocacy organizations to highlight on policy issues that need to be addressed and use the debates to positively advance their causes.
- v) The idea of organizing debates is being taken up by other organizations to enhance and promote public dialogue on issues of their concerns. The Mwalimu Nyerere Foundation, Tanzania Road Safety Association, PELUM Tanzania and NGO Policy Forum are some of the organizations that have taken up the idea.
- vi) The debates have developed some capacities of participants on understanding some relevant issues such as root causes of corruption and poverty. In some cases, people have demanded proper implementation of some policies or some changes where need arises.
- vii) TRACE, the organizing agency, has also gained from this exercise by:
  - Making itself more visible to the public, and as a result TRACE was invited by the Ministry of Agriculture and Food Security to share views and insights raised during the debate on food security during the formulation of the National Food Security Policy.

- Providing learning opportunities for TRACE to sharpen its understanding of policy issues in Tanzania and the required capacity for CSOs to engage effectively into policy processes and its process facilitation skills.

## Annex 4

### Terms of Reference for the Institutional Assessment of FCS

#### **Background**

The Foundation for Civil Society (FCS) is one of the largest support mechanisms for capacity building and grant support to civil society organizations in Tanzania. FCS aims to strengthen civil society's engagement in poverty reduction offering grants in policy engagement, safety nets for the vulnerable, governance and advocacy/network strengthening.

The mission statement of the FCS is: 'To provide grants and other capacity building support to civil society organizations to enable economically disadvantaged and vulnerable citizens to access information and understand laws, policies and their rights; engage effectively in policy monitoring and dialogue on poverty reduction; contribute to social development and to constructively hold the Government of Tanzania (GoT) and private sector to account.'<sup>6</sup>

The Foundation for Civil Society, an innovative responsive funding mechanism for CSOs across Tanzania, is the first of its kind to emphasize civil society's role on the "demand" side so explicitly and to make the link with delivery of the PRS. The FCS currently offers three grant programs, capacity building initiatives and research. The grant programs are: a) Rolling Small Grants (Tsh 5 million/year); b) Medium Grants (Tsh 35 million/year up to three years) and c) Strategic Grants (Tsh 100 million/year up to three years). Capacity building initiatives include policy forums, grant holder training and development workshops. The FCS reaches out to rural areas through information sessions and information centers in five 'information point' offices (i.e. Zanzibar, Mbeya, Singida, Mtwara and Arusha). A new program, registration grants, to assist in the registration of CSOs is being implemented so that local organizations are eligible for FCS grants.

The FCS is a pooled funding mechanism funded by like-minded donors: Department for International Development (DfID), Swiss Agency for Development Cooperation (SDC), Royal Netherlands Embassy (RNE), Development Cooperation Ireland (DCI) and Royal Norwegian Embassy. CIDA has been a member of the Council for the FCS for the past two years. The pooled funding approach to the FCS reduces transaction costs for both the donor partners and for CSOs. There is a high level of cohesion among participating donors and a solid and increasingly active Board.

The Foundation for Civil Society has requested support from donors to continue its work in building the capacity of civil society organizations (CSOs). The donors that will be providing funds to the FCS will jointly sign one Memorandum of Understanding (MOU) with the Foundation. In the spirit of donor coordination, facilitation of the approval process for donors and to reduce transaction time for the Foundation, it was decided that one assessment of the Foundation for Civil Society would be conducted (funded by CIDA and coordinated by RNE) that would meet the initial 'due diligence' needs of all donors.

*Due diligence requires reasonable care or attention to a matter, which is good enough to ensure that the funding provided would contribute to the intended objectives of the transfer payment and stand the test of public scrutiny. This includes: (a) being guided by an understanding of the purpose to be achieved; (b) supported by competence and capability of information, resources and skills; (c) a shared commitment to what needs to be done and an understanding of respective authorities, responsibilities and accountabilities; and (d) ongoing monitoring and learning to ensure reassessment and effectiveness.'*<sup>7</sup>

<sup>6</sup> The Foundation for Civil Society, Strategic Plan 2005-2008, May 2005.

<sup>7</sup> CIDA's Business Process Roadmap Overview, February 2005.

**Objective**

The objective of this assignment is to conduct an Institutional Assessment of the Foundation for Civil Society. This Assessment will feed into the decision-making process of development partners considering to support financially the Foundation over the implementation of its Strategic Plan (2005-2008)

**Scope of Work**

Based on a review of key documents and reports provided by the Foundation for Civil Society, interviews with FSC staff, board and council members, donors, EDI and selected CSOs (up to 5 grantees), the consultant will conduct an assessment of the Foundation for Civil Society that will cover the following areas:

**A. Capacity Assessment of the Foundation for Civil Society (FCS)**

- Capacity of the FCS to implement and achieve results (i.e. organizational structure, policies and operations including: staffing, planning, reporting, and monitoring).
- Capacity of the FCS to integrate cross-cutting themes: gender equality, environment, HIV/AIDS
- Internal management practices (the degree of effectiveness and transparency of the organization’s governance system)
- Corporate culture (How does the Foundation’s stakeholder perceive the FCS? Is it perceived as a local organization? Does it have the caliber of an international NGO?)
- The FCS’s capacity to demonstrate sound management practices (decision-making structure)
- Accountability with respect to expected results (outputs and outcomes) based on performance indicators, methods for reporting on performance and evaluation criteria
- The FSC overhead cost compared to similar schemes like, for example, the HIV/AIDs Rapid Funding Envelope (RFE).
- The extent of implementation of recommendations from previous evaluations/impact assessments
- Sustainability plan covering financial capacity and networking profile of FCS.
- Capacity to follow-up on grants, site visits, pre-grant visits, post grant visits, (How does learning from the grantees get fed back into the system

**B. Risk Assessment**

- Financial risk assessment (review of financial management practices, procurement practices, and independent audit reports)
- Track record in the use of donor funds.
- Internal risk management strategy (risk assessment and risk mitigation practices in place, how the FSC analyze and responds to evolving risks?).

The framework for assessment of areas outlined in A and B above can be summarized by using a table such as the following:

<b>Area to be assessed</b>	<b>Highly satisfactory</b> (In compliance with required standards)	<b>Satisfactory</b> (including plans towards improving the system or procedure)	<b>Not Satisfactory</b> (has not been achieved or addressed in plans)	<b>Recommendations</b> (could include technical assistance requirements to build capacity of FCS)

**C. Comparative Advantage**

The assessment report will also include an assessment of the comparative advantage of supporting the Foundation for Civil Society among other mechanisms in Tanzania. This could be assessed by interviewing donors and CSOs on other mechanisms.

**Level of Effort**

<b>Task</b>	<b>Estimated number of days</b>	<b>Notes</b>	<b>Timeline for completion of task</b>
Document review	2	Documents from FSC and donors	
Draft questions and framework for assessment	3	Draft questions and framework to be circulated among donors for comment (coordinated by RNE)	Within 10 working days after signing contract.
Preparation of revised questions and framework for assessment incorporating comments from donors.	2	Selection of other CSOs or grantees to interview may be made by donors.	To be completed within 3 working days of receiving comments from donors.
Meetings and interviews with FCS, donors and others	8-10		
Draft assessment report	5	Draft report to be circulated to donors, coordinated by RNE. (Presentation to donors as required.)	To be completed within 20 working days.
Revisions and preparation of final report	2-4		To be submitted within 7 working days after donors' comments.
Total days:	22-26		Total time elapsed: 2 months (if donors response is within one week of submission of deliverables)

**Deliverables**

The consultant will deliver the following products:

1. Draft Questions and Framework for Assessment
2. Draft Assessment Report
3. Final Assessment Report

**Qualifications/Experience of Selected Consultant**

- Understanding of the pooled funding approach and other funding mechanisms
- Knowledge of the assessment needs of donors in Tanzania
- Experience in organizational/institutional capacity assessment and risk management
- Knowledge of governance issues in Tanzania

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## **Annex 5**

### **FCS Literature Reviewed**

#### **Books and Reports**

1. FCS 2004. Annual Report 2003
2. FCS 2005 Annual Report 2004
3. FCS: Memorandum and Articles of Association of The Foundation for Civil Society Ltd.
4. FCS 2005: Strategic Plan 2005-2008: Investing for Impact
5. FCS Grant Application Pack
6. FCS Grants Application Guide
7. FCS. Maombi ya Ruzuku
8. Agriconsultants (EA) Ltd 2005: Monitoring and Evaluation Framework for the Foundation
9. Annual Forum: Proceedings of the Civil Society Annual Forum Held on 15-16 August, 2005 at the Bank of Tanzania Training Institute, Mwanza, Tanzania
10. Ripoti ya Mkutano wa Ubia: Mitandao ya AZASE ya Mikoja na The Foundation for Civil Society Tanzania – New Savoy Hotel, Morogoro Tarehe 19 hadi 20.12.2005
11. EDI Ltd 2005: Combined Impact Assessment Report for The Foundation for Civil Society
12. EDI Ltd 2005: Grantee Impact Assessment Progress Report
13. EDI Ltd 2005: Audit of Financial Systems and Management of Grant Funds by the Civil Society Organisations (Final Report)
14. EDI Ltd 2005: Adherence to Procedures (Draft)

#### **Other Documents**

1. Development Department: Annual Report 2005 (Zero Draft)
2. Development Department: Annual Plan 2006
3. Development Department: Site Visit reports for Matumaini Mapya and Manda Women Economic Group
4. Grantees Files for Matumaini Mapya and Manda Women Economic Group
5. 2006 Budget (Final Version)
6. Financial Procedures and Policies
7. Staff Policies & Procedures
8. Audit and Impact Assessment Action Plan Implementation as of September 2005
9. Management Response on Grants Audit Report

#### **General**

Jared Duhu, "Strengthening Civil Society in the South: Challenges and Constraints – A Case Study of Tanzania"