The investor approach
A way forward for the Community Fund?

David Carrington
June 2002

COMMUNITY FUND

Lottery money making a difference

Contents

Introduction by Richard Buxton, Chief Executive

In the Community Fund's *Strategic plan* for 2002–2007 there is a clear commitment to focus increasingly on the outcomes of the projects for which funding is sought.

"We intend to put a greater emphasis on outcomes. This means that organisations and groups that we fund will have to demonstrate that they are making a measurable short term difference and contributing to making a long term difference to the lives of people they seek to help."

There is also a clear indication that over the next five years we will explore, and may move towards, other aspects of the investor approach. The plan states:

"This would mean that the Community Fund would work much more closely with applicants and grantees to help secure positive outcomes from the grants we make."

Our new application pack uses an outcome funding framework and, in future, we will be working more closely with our grantees to identify and agree mechanisms for tracking progress towards their proposed outcomes.

Outcome funding is one aspect of the investor approach. The approach can also include working closely with organisations in the pre-application stage and increased involvement after grants have been awarded. Some work on each of these aspects of investment has been underway within the Community Fund over the course of the past year, and these are important means for achieving our targeting objectives and long term changes for the six beneficiary groups and

geographic areas identified in our *Strategic plan*.

However, there are many aspects of the investor approach which we have not yet decided on. For example, how closely is it appropriate for the Community Fund to work with its grantees to help ensure their projects succeed? How far should the Community Fund seek to prescribe outcomes for the projects it funds at the outset?

In order to help us answer these questions, we commissioned David Carrington to undertake a scoping project for us, so we could learn from the experience of others, both in the UK and the US. We believe his report is of wider interest beyond just the Community Fund and so we are distributing it to others in the sector, as well as making it available on our website at: **www.community-fund.org.uk**

We shall be responding to the recommendations in the report by the end of the year and, in the meantime, would be interested to hear from others with an interest. Please send any comments or views on the report to Richard Gutch, Director for England and UK (richard.gutch@community-fund.org.uk), who is leading the Community Fund's work on this topic, or to your local country or regional office.

Richard Buxton
Chief Executive
Community Fund
June 2002

The investor approach - a way forward for the Community Fund?

Community Fund *Strategic plan*
One of the central aims of the Community Fund *Strategic plan* for 2002—2007 is to target its work so that its grants "achieve long-term changes". The Fund will target specific beneficiary groups and geographical areas and will "put a greater emphasis on outcomes". For their grant applications to be successful, organisations and groups "will have to demonstrate that they are making a measurable short term difference and contributing to making a long term difference to the lives of people they seek to help".

As well as this extra emphasis on applicants being clear about the outcomes that they are seeking to achieve, the Fund will also invest "a significant percentage" of its administrative budget in the evaluation of its grant programmes and of its individual grants — "so that we know the longer term difference that we have made through our funding". The Fund will also "track and monitor the grants we make to measure immediate changes to people's lives".

During the five-year period of the new *Strategic plan*, the Fund intends to "explore and may move towards the investor approach to funding. This would mean that the Community Fund would work much more closely with applicants and grantees to help secure positive outcomes from the grants".

Process and compliance
Since it was established in 1994, the Community Fund has won a reputation for an assiduous approach to the processes of grant assessment, decision-making and monitoring. Its systems have been geared primarily to dealing with high volume demand, for making 'fair' decisions and for a sharply focussed approach to compliance. This approach concentrates on quantitative outputs. It does not provide the basis for any sustained exploration of what sorts of interventions or projects work well (or of understanding why some do not succeed). The Fund is well placed to report how many of a particular type of project it has funded; it is not able, however, to report whether or not (or why) those projects achieved the objectives to which they aspired when first applying for the grant. The Fund can only rely, therefore, on anecdote to inform it as to what works and what doesn't.

Grant management – the 'Cinderella' function
The Fund's concentration on the 'front end' of grant-making (applications, assessment, decision making, grant terms and conditions) has also resulted in the grant management function being something of a 'Cinderella'. This is a common feature of new grant-making organisations – as their initial preoccupation is, inevitably, focused on dealing with applications and on making grant decisions. Consideration of what should be the nature of the relationships with grantees and the investment in staffing of the grant management function is easily deferred in the face of the demands of the applications workload.

The investor approach
Recognising that the process and compliance based approach had significant limitations in supporting the Community Fund's moves towards the targeting of resources and the evaluation of outcomes, the Fund has initiated a number of internal projects which are likely to lead to significant changes in pre-application support to potential grant applicants, the grant application

and assessment process and the post-award relationship with organisations in receipt of funding.

At the same time, the Community Fund recognised that other grant-making organisations in both the UK and the USA had already started addressing similar issues within a context that has become known as 'the investor approach'. The Community Fund therefore commissioned this external project to review the experience of other organisations with the investor approach and thus inform the future development of the Fund's own approach to grant applications, assessment and management.

Methodology
To carry out the study, I met with the Chief Executive and Chair of the Community Fund and interviewed 11 staff from a variety of sections, including two regions. Throughout the study, which was carried out between January and March 2002, I worked with Richard Gutch, Director for England and UK.

I held face to face and telephone consultations with 18 grant-making charities and people with specialist experience in the UK and also carried out web searches (with follow up email correspondence) with 12 grant-makers and organisations in the USA.

The Community Fund has organised two seminars for Board members and staff on the methodology of 'Outcome Funding' and the 'Investor Approach' that has been developed by The Rensselaerville Institute (TRI) in the USA. I attended one of these seminars and also met separately with the President, Hal Williams, and

one of the Trustees of the Institute, Eric Berg, and with the Director of the Institute's UK associate organisation, Peter Mason of the Centre for Public Innovation (CPI).

I have also been able to draw on evaluations of the introduction of the TRI/CPI outcomes approach to funding within two statutory commissioned programmes.

These meetings and consultations were immensely valuable to my understanding; I am very grateful for all the help that I have been given.

David Carrington

Section one
Introduction

Measuring impact – a grant-maker's preoccupation

The Community Fund is not alone in being concerned about how it can work more closely and systematically with grant recipients to establish systems, which will enable recipient organisations, service users and the Fund itself to be able to judge whether or not an individual grant or grant programme has achieved the results that were intended, when the grant was made or the programme was introduced. A preoccupation with outcomes and impact is a common feature of debate within all grant-making organisations – in the public sector as well as among charitable trusts and foundations.

As Joel Joffe, the former Chair of the Allied Dunbar Charitable Trust, wrote in his Foreword to Des Palmer's Monitoring and Evaluation, the Association of Charitable Foundation's 'practical guide for grant-making trusts' (1998):

"All trusts and foundations are in the business of bringing about some form of positive change, and giving grants is the means by which we set out to do this. And yet, all too often grant-makers focus on the giving itself rather than the outcomes of the giving. Having given, they frequently fail to ask the key questions: has our grant made a difference? Has it contributed towards positive change, towards improving the quality of life of others? Has it achieved what we intended it to achieve, and – very important – has it represented value for money?"

Joel Joffe went on to point to one of the key questions influencing the debate about what sort of 'investment' approach a grant-maker can adopt:

"Measuring success in the charitable sector is far more complex than in the private sector, where the bottom line of profit or loss – normally the definitive measure – follows naturally from the profit and loss account. How indeed does the grant-maker measure the success of grants for, say, a feasibility study, for training designed to increase a charity's effectiveness, or for a grant towards a charity's core costs?"

Outcomes – rocket science?

Allowing for these questions, however, as many of the people consulted during the preparation of this report pointed out, the process of outcome setting, measurement and management is hardly rocket science. It should certainly be at the heart of good management practice. Any organisation should endeavour to:
- set out clear outcomes and performance targets which a particular function or new project is intended to deliver;
- be clear in advance about the steps that it will take to achieve those targets;
- have a procedure for stocktaking as they complete each step;
- be ready to adjust or amend the targets/timetable/methods if their experience and learning demonstrate that to do so would be appropriate; and
- establish a system of keeping those organisations that are helping them (with funds or other resources) informed positively about progress and learning.

For a funder to expect applicants and grant recipients to adopt such good management practice would itself, therefore, seem to be good practice. So, too, would be a willingness on the part of the funder to invest time and resources in helping those organisations which it wants to support but which do not as yet have the capacity or skills to set, measure and manage outcomes. Investment in such work would be a logical part of the implementation of the Community Fund's new strategy. So too would an investment in outreach and solicitation to ensure that all organisations that could help implement the Fund's mission have the chance to do so. Such an emphasis could help undo the negative impact on the leadership and management of voluntary and community organisations that has been an understandable consequence of the heavily output and compliance focused regimes operated by so many funders.

Sections 5 and 6 include examples of how some trusts and foundations in the UK and USA have already tried to introduce a more positive approach to their reporting and monitoring requirements.

Grantee scepticism
Introducing a positive outcomes focused funding strategy, however, would need to be sensitively managed. Grant recipient organisations are understandably sceptical about the value to them and the people with whom they work of new application and reporting processes. These can be time consuming (and costly) processes and many grant aided organisations complain that they and their service users gain little or nothing from having to comply with the reporting and form filling requirements. Indeed, other than

providing data for a pie chart in the funder's annual report, the grant recipients are seldom aware of what, if any, value is gained by the funder's staff or board – or the wider policy and practitioner sectors – from the statistical and quantitative returns they are required to provide. Some feel that the funder is more concerned with the report being provided on time than with its contents.

That said, however, the culture of outputs and a 'bean counting' approach to monitoring and compliance is as strongly rooted among grant-seeking organisations as it is among funders.

Influence of the Community Fund
If a funder of the scale and status of the Community Fund decides to adopt a more proactive and 'engaged' approach to its grant-making and to the ways it works with the organisations that apply to it for funds, the influence on other funders and on the voluntary sector will be substantial – positively or negatively. The Fund cannot afford (operationally or reputationally) to introduce a flawed system or even to introduce a good system clumsily.

Part of the attraction of The Rensselaerville Institute's 'Investor Approach' and 'Outcomes Funding' systems (see Section 2) are the apparent simplicity of their presentation – as a stark and clear alternative to what they describe as more traditional funding. To be effective within the context of the Community Fund's new strategy, however, it is vital that the selected methodology is fine tuned to the reality of the capacity, circumstances and functions of the organisations that will be seeking funding – and is perceived by them as being of clear value to

the quality of the services they deliver. If this is not achieved, the introduction of an outcomes approach could be seen as another funder imposed compliance system – and its considerable potential benefits be devalued as a consequence.

This reinforces the importance of any new approaches being carefully planned, piloted and communicated – and of avoiding being too prescriptive or interventionist. Any new approach must be clearly seen to be of direct value to the people and communities that the funded organisations are seeking to support; the gains for the Community Fund – in being able to see more clearly the outcomes and impact of their funding, to learn from the experience of the organisations they support and to apply that learning to the subsequent development and enhancement of the Fund's grant-making work – should always be a secondary benefit.

The funder as an investor
The concept of a funder defining itself as an 'investor' is not new within the UK. Many trusts and foundations have initiated or been directly involved in the development of work that is intended to translate into action a particular feature of their aims and aspirations. Many have also adopted energetic outreach tactics to make links with groups or organisations that are working within their areas of interest but not responding to publicity about the availability of funds. Some have gone further and participated in the setting up of organisations to carry out work that they wish to see tested out or implemented. Sections 5 and 6 include examples of some of these investment approaches.

Venture philanthropy
There are, however, advocates of more extensive types of investment by a funder in the way its resources are used by recipient organisations. These go way beyond just ensuring that outcome setting, measurement and management are of high quality. The current debate about 'venture philanthropy' provides a vivid illustration of the issues raised by the advocacy of such a 'hands-on' approach to grant-making – and these are discussed further in Section 3.

The language of grant-making and investment
The introduction into the already jargon laden world of grant-making of the vocabulary of the investor and venture capitalist creates a host of definitional problems as different organisations and commentators use the same words to mean different things – an attempt is made in Section 4 to clarify some of the fog that is in danger of being generated.

Issues and challenges for the Community Fund
The Community Fund is already taking a number of steps towards introducing an outcomes approach to its work – implementing the emphasis on outcomes set out in its new strategy. Existing systems, forms and guidance are being amended and several pilot schemes are being established. As the experience of other funders makes clear, for such changes to have lasting effect, the Fund will have to invest resources not only in the ways it organises its work and trains its staff; it will also be vital that applicants and grantees are helped to integrate the outcomes approach into their work.

The issues and practical challenges that these requirements pose for the Fund are discussed in Sections 7 and 8.

Whether or not the Fund goes further towards the venture philanthropy style of investor approach and gets directly involved with the work of grantees is much more problematic – and raises some major policy and practical challenges for the Fund. These are also outlined in Sections 7 and 8.

Section two
The Rensselaerville Institute

The work of the Rensselaerville Institute (TRI) has been of particular influence on current thinking about outcomes within the Community Fund. TRI has developed a range of "tools and mindsets for leading change, solving problems and seizing opportunities". Grant-making organisations, particularly in the statutory sector, have been a priority target of the institute's work, especially since 1991 when it published *Outcome Funding: A New Approach to Targeted Grant-making*.

Outcome funding
TRI define Outcome Funding as:

"Grant-making and budgeting based on investing for results rather than on allocating funds. The funder becomes 'the investor' who expects returns on the investment in the form of gains for customers. This approach replaces traditional grant-making, which pays for process and activities but not necessarily for results. The outcome approach asks grant applicants to define specific performance targets they are committed to reach. It replaces activity checklists with milestones and introduces verification as more useful than evaluation."

Milestones are defined as:

"the way the funded project will get to the finishing line and what the project needs to achieve along the way in order to reach that line".

The questions that the approach poses for funders are:
• How can we increase our return on grant-making in terms of human gain?
– and, in relation to individual grant and

grant applications:
• What results are we buying?
• What are the chances for success?
• Is this the best possible use of money?

Outcome management
Alongside the outcome funding approach, TRI has developed Outcome Management, which it defines as:

"Tools for defining and hitting targets for social and human gain. These tools have in common a shift from what goes in to what comes out. One example: the shift from a job description (what must be done) to a result description (what must be achieved). Another example: the shift from work plans (what implementers do) to milestones (what customers do: critical steps in customer behaviour that get them to the intended result, a job, a graduation, no longer smoking, etc.)".

Alongside its training and consultancy services, the Institute also markets database software and systems that are tailored to outcome thinking and account for results rather than outputs or activities.

Sparkplug Individuals
Within its investor approach, TRI gives particular emphasis to supporting people whom it describes as 'Sparkplug Individuals' – "who lead change by example, are the basis of results. Look within any successful group — a school, block club, or unit within an organisation — and you'll probably find a great leader. The right leaders are more critical than the right work plan, a large committee, or a big budget". (in this, TRI echo the

attention given within the UK in recent years to 'Social Entrepreneurs').

Investors v funders

The root of TRI thinking is summed up in what they see as the flawed approach of the traditional funder:

"The typical proposal is overstuffed but malnourished. It does not contain the information the funder needs to understand specifically what he/she is buying, the likelihood that he/she will get it, or the fairness of the price. Proposals are need-focussed, paper driven, activity based and anchored to the line item budget. Their power lies not in what they convey, but in what they are. Regrettably, the high scoring document and the high performing project is often a weak one".

The contrast between how TRI sees the methods of an investor and a funder is illustrated in TRI training materials with the table below:

The funder	The investor

• Invites submissions and selects from those applying.
 • Uses multiple criteria – including need, workplace, quality of proposal writing, evaluation design, etc to select..
 • Funds direct services or capacity building using the same approach.
 • Believes fairness means distance from applicants.
 • Uses widespread participation in selection.
 • Considers grant decisions the high point of their work.
 • Monitors for grant compliance.
	• Seeks to uncover all possible promising opportunities.
	 • Answers three questions of each opportunity
	  – What are we buying?
	  – What are the chances we get it?
	  – Is this the best possible use of money?
	 • Clearly distinguishes between investment in programmes, innovations and organisational growth.
	 • Believes fairness means intense interaction with applicants.
	 • Uses very small teams or individuals to make investment decisions.
	 • Considers the initial investment only the starting point.
	 • Asks how can I help?

Proposals v target plans

In another table used in their book and training materials, TRI provide a further illustration of the difference, distinguishing between the contents of an application required by a funder (the proposal) and the investor (the target plan)

The Proposal	The Target plan
• Needs statement. • Goals and objectives. • Project description. • Work plan. • Staffing plan. • Credentials of proposing group. • Evaluation design. • Line Item budget. • Letters of support.	• The market/customers. • Performance targets. • The product. • Milestones. • Key individuals. • Organisation support. • Verifications. • Financial projections. • Customer evidence.

TRI extend the use of the language of commercial investment to the assessment of an application, using the term 'due diligence' to describe the verification of "the accuracy of key representations made by implementers as the basis for investment decisions" and the method used to choose between applications.

One other central component of the TRI approach is 'the funnel' – a method of representing the 'customer milestones' targets, a series of steps from first take up of a project's services to the completion (by many fewer people) of a 'successful outcome'. TRI uses this formula to test and monitor the unit cost of each successful individual outcome.

TRI presentation to the Community Fund

In his presentation to the seminar at the Community Fund in January 2002, the President of TRI, Hal Williams emphasised that the investor approach to grant-making provides a discipline and framework – but is not a prescription. He also indicated that:

• his approach had shifted from being primarily concerned with funders' requirements ('what are we buying?') to a focus on 'what will help grantees do their work better?'
• the ideal approach was one where the grant-maker and the applicant worked together on an implementation plan to achieve agreed 'human gain'; and
• if it was to be a positive asset to the funder/funded transaction and relationship, the outcomes approach had to be primarily a toolkit for the grantee organisation to use (in part or in whole) – and not a management regime imposed by the funder.

TRI in the USA

Most of TRI's clients in the USA are public or governmental agencies but a number of foundations and local United Way organisations have been helped by the Institute:

- "Assisting the grant-maker to shift from a funding to an investing paradigm—often as a full multi-year partner in a major transition;
- Assessing performance of grants and the extent to which individual grants add up to major impacts in a field;
- Helping one foundation to develop a shared grant-making framework with other grant-makers in a geographical or grant area focus".

TRI has also been developing a model of outcome-based consulting – which might have a wider application.

At the Community Fund seminar in January 2002, Hal Williams used the Freddie Mac Foundation as a case study. (Freddie Mac, through its Corporate Giving programme and the Foundation, is one of the largest corporate funders in metropolitan Washington, DC. The company describes the Freddie Mac Foundation, created in 1991, as being at the heart of Freddie Mac's philanthropy. The Foundation's programmes "invest in finding permanent homes for children in foster and care. They prevent child abuse and neglect. They strengthen families. And they help young people reach their full potential. We are committed to opening the doors of hope and opportunity for children, youth and their families".)

Commenting on the experience of the Freddie Mac Foundation, Hal Williams reported that:

"evaluations of previous projects had proved to be ineffective. Funded organisations did not know what they had achieved…The investor framework starts from what the investor believes, making their purpose very clear…It is essential to inspire voluntary organisations to buy in to the outcome approach to grant-making – and to recognise that it will cost the applicant to move to the outcome approach."

Hal Williams also clarified that an outcome can be "defined as:

- doable, regardless of external environment; and
- verifiable comparative to a baseline (what would have happened if there was no project? How did this project add value?)".

Edna McConnell Clark Foundation

One major US Foundation that has incorporated aspects of the TRI approach into its work is the New York based Edna McConnell Clark Foundation, which has assets of $713 million and seeks to use its resources to "improve the lives of people from low-income communities".

In the Foundation's 2000 Annual Report, their President, Michael Bailin, summarised the major changes that they have made over the last couple of years, and in so doing, makes a powerful case for a shift from a grant-making approach that was focused on reforming public sector services and systems to becoming a social investor:

"We determined that our past grant-making has often failed to produce lasting or meaningful change, in part because of our limited resources in relation to the scale of what we have been trying to accomplish. In addition, whatever changes may have occurred were extremely

difficult to verify or measure and enormously hard to sustain due to the large number of forces (political, social, economic) that can overwhelm or wash them out at any moment.

"To confront these challenges, we have been piloting a new and evolving grant-making approach, which we call institution and field building (IFB). The IFB approach is designed to use our energy, expertise and resources to strengthen individual nonprofits and the fields of which they are part, with the ultimate goal of delivering higher quality services to more people in need.

"Making such a transition has involved more than just a shift in programmatic and investment activities. It also has required us to reinvent our whole way of working. Over the past year, that has taken the form of introducing new methods for selecting and supporting non-profit organizations; treating them more like partners rather than as grantees; and recognizing that our work – ours and theirs – can be considered successful only when both we and those with whom we work can show measurable results.

"In adopting these changes in focus and ways of working, we are aiming both to strengthen individual organizations one by one and to help weave youth development (the focus of all the Foundation's grant-making) institutions into a more coherent, effective, and ambitious field of endeavour. Strong organizations alone are not enough. To perform at their best, organizations need to be part of a web of experienced suppliers, funders, and friendly competitors. They must also share standards of excellence, have branches of specialty, and participate in

networks of information and learning. These are the things common to strong, growing industries. Youth development, though, is still a young field. It will take time for it to grow and for us to help a sufficient number of organizations do their work well. We want to help that process, accelerate it where we can, and develop lessons that enable others to contribute as well".

Edna McConnell Clark Foundation – capacity building

In his report, Michael Bailin also offered some other comments about grant-making that are relevant to current debates within the Community Fund:

"Our willingness to do business in a new way is due in part to a growing recognition among a number of private foundations and others in related fields that the practice of grant-making can and should be more effective, and thus needs to change. In our view, there is a significant difference between giving money to organizations willing to implement a foundation's proprietary notions versus providing financial and other kinds of support that can help that same organization achieve excellence in service over its lifetime.

"We are not opposed to designing smart programs, inventing new technologies, conducting better research. These are important, and they all have their place. But these things do not improve the lives of many people for very long (if at all) without the sustaining force of good institutions to use the new methods and programs, improve them, and expand them. That force won't develop unless support is

13

made available to worthy non-profit organizations. In addition, good institutions can grow even stronger when they have the support of other related organizations in a common field — colleagues able to establish and test standards of performance, design and perfect new methods, add complementary services, exchange referrals and form partnerships, and spot new opportunities.

"Our realizations about what constitutes lasting value and how to create it in the non-profit sector necessarily draw us down to the ground from the lofty plateaus of traditional philanthropy. They force us to confront the reality in which many nonprofits operate today. Because they are often woefully under funded for the work they are expected to do, they lack the kinds of management, performance measurement, finance and back-office systems that are prerequisites for higher quality programs, better service and growth.

"To expect nonprofits to develop these capabilities on their own, without appropriate financial and technical assistance, would be foolhardy. Instead, we recognize that helping them develop these strengths has to be as much our responsibility as it is their own. As a result, we are finding that we need to learn as never before about business planning, personnel management, financial controls, office technology, and other inner workings of grantee organizations from which foundations have usually (and by preference) been isolated. But taking on this work and its many challenges, with the goal of adding real and measurable value to grantees, requires a new kind of relationship — something approaching

partnership — and a level of trust that takes a long time to build."

Edna McConnell Clark Foundation – venture philanthropy
"While to some people these elements can be construed as amounting to a 'venture philanthropy' approach to grant-making, we don't find that term particularly well-suited to convey our intentions. The term 'venture philanthropy' has not been defined in a widely shared way, and under any definition, it carries substantial 'freight' from its origins in the commercial sector.

"We do not wish to burden our work with notions like 'efficiency' as unquestioned virtue or 'value creation' too narrowly construed. The few terms we borrow from the business world – 'portfolio managers,' 'due diligence,' 'performance objectives' — were chosen deliberately to describe activities we are knowingly adapting from corporate financial and management services.

"We intend to hold our staff accountable for some of the disciplines of the for-profit firms that serve and invest in for-profit enterprises. Some of our investments in institutions serving young people from poor families will be like those of investment firms, and we borrow the nomenclature accordingly."

Edna McConnell Clark Foundation – Approach to Evaluation
The Foundation has sought to incorporate TRI thinking into its work – but as one tool alongside other approaches and relevant experience. It sums up the theory behind our evaluations

14

as follows:

"In all our evaluation and assessment activities, the Foundation seeks to learn, through systematic inquiry, whether and how our investments are contributing to the growth and strengthening of the various organizations we support in our four programs, and through them improving the lives of people in poor communities.

"In doing so we rely heavily on developing robust theories of change with grantees and instituting rigorous evaluations of outcomes for the grantee organizations and ultimately, outcomes for their service recipients. We also use evaluations to focus on promoting program quality as a precondition to organizational growth, and to learn about what is replicable, under what conditions, as well as barriers to success.

"Evaluation System: critical to all assessments is the design of the evaluation system. This refers to all methodical data gathering and analysis undertaken by an organization to answer key questions and establish the value of its activities.

"Outcomes: once these evaluation systems have been designed and are in place, the data collected is analysed and organized to determine the outcomes of a project – that is the changes that are achieved as a result of efforts undertaken.

Level of Program Quality: once these outcomes are gathered, we can analyse the results and determine the level of program quality of the work being done.

Edna McConnell Clark Foundation – levels of outcome

The Foundation has adopted a number of definitions relating to outcome management that are appropriate to their aspiration to influence developments at a number of levels:

"Outcomes are the 'enduring changes' in conditions that are achieved as a result of efforts undertaken. Typically, they argue, foundations are concerned with four levels of outcomes:
• the individual level, which includes changes in people's knowledge, skills, abilities, and attitudes;
• the organizational level, which includes the adoption of new policies, practices, norms, and capacities;
• the neighbourhood or community level, which includes changes in income and employment rates, crime rates, school achievement and graduation rates, housing ownership, use of public spaces, etc.; and
• the policy level, which includes the adoption of new laws, public sector regulations, public and private sector funding practices, and so on".

Edna McConnell Clark Foundation – types of outcome and indicator

The Foundation explains that they are principally interested in outcomes at the organizational level for their grantees and outcomes at the individual level for the young people who are intended to benefit from their services.

In particular, the Foundation looks at:
• "Interim (or intermediate) outcomes: the (sequence of) key changes at any of the four typical levels of outcomes that are planned for and necessary to the achievement of desired

long-term outcomes; and
• long-term outcomes – the enduring, desired changes in conditions that are to be achieved as a result of planned efforts; they lie at the heart of an initiative, and achieving them is critical to judging an initiative's success.

Other keywords to keep in mind when examining outcomes include:
• Indicators – the observable and measurable facts or events that show a specific outcome (interim or long-term) has been achieved.
• Measures – the means one uses to determine whether an indicator has been met.
• Threshold – a statement of the level at which an indicator must be met in order to be acceptable evidence that an outcome has been achieved".

In order to try and get to grips with how judgements can be made confidently about the quality of the outcomes of a project or programme, the Foundation has adopted what it describes as a 'hierarchy of attribution' – an approach which other funders might find useful.

Term	Definition	Epistemological status
"Proven quality" (or "Impact")	Through the use of a random assignment, experimental research design, the impact of the programme on service recipients has been verified with a 95 per cent degree of probability.	Scientific knowledge. Rigorously collected data are tested against the full body of scientific knowledge propositions (including statistical and analytical methods of, and constraints on, generalisation).
"Demonstrated Quality" (or "Demonstrated Results")	Through the tracking of outcomes for service recipients, the program's likely effect(s) on service recipients has been established - but without any calculable degree of probability.	Substantiated judgment. Rigorously collected data are tested against analytical methods of, and constraints on, generalization.
"Plausible quality" (or "Apparent effectiveness")	Through the careful and thoughtful collection of anecdotal and impressionistic information concerning apparent outcomes for service recipients, the assumption that one can reach an initial assessment concerning the programme's likely effect(s) on service recipients is deemed justifiable.	Justified assumption. Thoughtfully collected information is tested against personal experience and available knowledge about similar programmes.

TRI in the UK

In the UK, the work of TRI is carried out by the Centre for Public Innovation (CPI). In 1992, a UK edition of the TRI Outcome Funding book was published – with the sub-title of 'A New Approach to Public Sector Grant-making and Contracting'. CPI has been particularly active in providing consultancy and training to public sector organisations which commission or purchase contracted work from the private or voluntary sectors. Of the 20 or so projects listed in CPI's current Review of Projects, all but one is with statutory authorities or agencies.

Evaluation reports on two CPI projects provide useful indications of the applicability of the PRI model within the UK – at least within sectors where public bodies purchase services – and raise some questions that are pertinent to the Community Fund:
• the report on the pilot phase of the application of the outcome funding and outcome management approaches by Liverpool City Council in mental health and housing projects funded from the Department of Health's Mental Illness Specific Grant (undated); and
• the evaluation by the Department of Health of the application of the approach to the Drugs and Alcohol Specific Grant (1996).

Both reports acknowledge the amount of time that has to be committed (by funder and funded) to the introduction of the approach – reflecting the challenge it poses to the traditional relationship between them.

Both reports are positive about the clarity of the focus on results for service users that the system encourages – in both funder and funded – and

on the 'fair, objective and auditable decision-making framework' that it provides 'for the assessment and selection of projects'.

DoH – on Costs

The DoH report endeavours to identify whether the outcomes approach costs more to administer than their previous systems:
• Considerable setting up costs were, unsurprisingly, encountered.
• Costs in the selection phase in the initial phase:

"increased greatly. However, it was generally agreed that this was due to learning the new process. Once members of staff had completed the 'learning curve' and had the necessary skills and experience, the time required to assess and select projects to fund was of a similar magnitude as before...it was suggested...that under outcome funding the time spent by the Professional Client Team (Doctor, Nurse and Social Services Inspector) was less than required under traditional funding and was also more focussed".

It proved difficult to assess the additional costs involved in the monitoring/grant management phase:

"Although in principle this process would appear to represent a dramatic increase in time requirements, this is not the case at present. The DoH is currently not fully exploiting the monitoring process and thus not reaping maximum benefits. Although voluntary organisations are generally good at producing quarterly reports, DoH staff are tending only to take action where there is a significant problem".

DoH – focusing on the exceptions

This tendency for the investor to concentrate only on significant variances is understandable but must undermine a crucial benefit of the outcomes approach – the lessons to be learnt from success and the achievement of predicted outcomes. There also seems to be a tendency for investors to 'default' to the compliance monitoring practice of traditional funders if the investor's infrastructure is constrained or the lead person who introduced the approach moves on to other work – an indication of the importance of embedding the cultural changes that are involved in adopting an investor approach deeply into the grant-making organisation.

DoH – Lessons Learned

The 'Lessons Learned' recorded in the DoH evaluation include several that are relevant to this study:

- "Outcome funding was a very challenging process for some voluntary organisations. There were cultural barriers within some voluntary organisations which had to be overcome. Many people in voluntary organisations found identifying outcomes totally alien and were not used to thinking in what they saw as a mechanistic fashion.
- The training for departmental staff had been essential. It was recognised that grant-making and contract management were specialist skills and that there was a need to maintain these skills within the section. However those involved in grant-making also require specialist knowledge (in the case of this programme in drugs and alcohol) to ensure that the applications are properly assessed.
- Services in the field of drugs and alcohol tend to be separate from other services and to

involve a process in which clients come into contact with the services, are treated, and then leave. As a result outcomes may be slightly easier to identify than for services which offer on-going support to their clients. This field deals with a curative process rather than maintenance and there is a clear baseline to measure success against.

- The Drugs and Alcohol Specific Grant was only £2.5 million in 1995/6 and the small size of the grant was one factor which people believed made the change-over manageable and successful. Also the bidding process was competitive.
- The input from CPI was thought to be essential".

The DoH evaluation concluded that "it appears that outcome funding is most applicable when:

- it replaces a relatively underdeveloped bidding process;
- the services it supports are easily identifiable and relatively separate from other fields or services;
- the outcomes sought are easily defined
- the treatment of the client group has a chance of positive success;
- the time of the intervention is limited; and
- those involved in the administration of the grant are committed to the outcome funding concepts and have acquired the necessary skills to implement them".

Section 3
Venture philanthropy

The timing of the preparation of this study for the CF coincided with a period of considerable debate in the UK and the USA about venture philanthropy. Several of those whom I interviewed asked whether the Investor Approach that is promoted by TRI is the same as venture philanthropy. In their presentation to the Community Fund seminar on Outcome Funding in January 2002, Hal Williams and his colleagues from PRI also drew attention to the issue. It seemed advisable, therefore, to include a section in this report on venture philanthropy.

Definitions
The first of two definitions comes from The Institute for Social Entrepreneurs in the USA:

"The use by grant-makers and investors of certain principles traditionally associated with venture capitalists to either build the capacity of a non-profit organization or to invest in a social purpose business venture. Key elements include long-term relationships (three to six years), development of business plans, provision of cash and expertise, and an exit strategy. Donors and/or investors make long-term funding commitments, closely monitor performance objectives through pre-defined measurement tools, and problem-solve jointly with the leadership team on a regular basis".

According to Social Venture Partners in the USA:

"Venture philanthropy takes some of the principles of venture capitalism and applies them to philanthropy. Venture philanthropy is the process whereby, (usually wealthy) individuals invest time and money in voluntary organisations and social enterprises. Venture philanthropy means funding organizations with not only financial resources, but also management and technical support. This support is focused on enabling nonprofits to build greater organizational capacity and infrastructure via long term, engaged relationships with investees."

The 'Gift of arrogance'
The collapse in value (and reputation) of some of the new economy sectors from within which had emerged many of the advocates of venture philanthropy in the United States has led to a reappraisal of some of the claims made for the concept. The December 2001 issue of Fortune, for example, included an article by Geoffrey Colvin with the title: The Gift of Arrogance: It's blessed to give—but it's a lot harder than Nethead philanthropists thought. In this he commented:

"In the later parts of their mostly brief careers, many Internet entrepreneurs decided they were ready to revolutionize more than mere business. Having utterly transformed whole industries – nay, the very economy – they would now turn their genius to the next logical objective: fixing society. So they set out to prove that just as they had made money more brilliantly (or at least more quickly) than anyone in history, they could give it away more brilliantly as well.

"What could be wrong with that? Dispensing huge sums in a sincere effort to solve social problems seems like a good thing anyway you cut it. But there was indeed a problem, which was arrogance. Like 18-carat gold armour, it adorned the dotcom do-gooders, who fancied themselves glittering, rich, and invulnerable. Those old-economy philanthropists, the ones

who'd given away billions over the past century, were kind of pathetic. It was time to show the world how to do this right.

"The hubris was captured perfectly in a report called 'Venture Philanthropy: Landscape and Expectations', prepared for the Morino Institute, a Virginia–based foundation, by Community Wealth Ventures of Washington DC. The report appeared in March 2000, precisely at the delirious peak of Net madness. Traditional nonprofits were in 'a culture of dysfunction', it declared. It was time for 'a fundamentally different approach' based on 'the best practices found in firms in today's New Economy'. That new approach was venture philanthropy – applying the practices of venture capital to charitable giving. The new philanthropists would put their money into projects promising the highest social return, then would offer strategic guidance to make it happen. Recipients would be accountable for delivering rigorously measured results; those that didn't perform would lose their funding.

"The old language of grant giving was out. This was 'investing in social entrepreneurs', some of whom would qualify for 'mezzanine financing', and so on. And it wasn't just about money, as the report explained in a sentence that today sounds sarcastic but was meant soberly: 'Perhaps more valuable than the wealth Internet entrepreneurs can bring to the non-profit realm are the skills and expertise they offer'. It all sounded intoxicating, and many newspapers and magazines (including this one) ran articles about the radical new way these new zillionaires would spread the bread.

"To see a radical reversal of attitude, check this year's edition of that same Venture Philanthropy report. No more bluster; no more arrogance. It's actually hard to believe it's from the same organization on the same subject. Here's the new assessment: 'It remains too early to demonstrate that venture philanthropy results in more effective outcomes or more powerful social change in ways that distinguish it from traditional philanthropy'. This from the people who were going to push aside the 'culture of dysfunction'? Afraid so. Says Thomas K. Reis, program director of the W.K. Kellogg Foundation, which has been giving away a corn-flake fortune for the past 71 years: 'Venture philanthropy so far is more theory than reality'.

"The problems were many. The new foundations didn't have nearly enough staff to dispense all that strategic advice to non-profit organizations. The organizations didn't have enough management experience or expertise to use it in any case and, moreover, were suspicious of the new approach. Nobody could figure out the rigorous new metrics for gauging success.

"To repeat: we are talking not about entrepreneurs extracting money from investors but about people giving away millions of dollars to make the world better. God bless them. Venture philanthropy is far from finished and its travails will yield lessons that will help everyone. Old style philanthropy needs reinvigorating. The best established foundations are working with the new ones to learn what they can. Mistakes are the best teacher."

In another rather rueful reflection on the present venture philanthropy scene, the Morino Institute

has described the venture philanthropy field as 'so diverse and unsettled it resembles the Wild West'.

'If pigs had wings'
In a lecture to the Georgetown Centre for the Study of Voluntary Organisations and Service in November 2001, (If Pigs had Wings: the Appeals and Limits of Venture Philanthropy), Bruce Sievers, of the Walter and Eise Haas Fund, warned that an arrogance on the part of foundations had developed due to the lack of precision in the sector, but applying business principles is no way to stem this arrogance, and doing so ultimately threatens the value of the nonprofit sector. Sievers called on foundations to be more open to and encouraging of internal criticism and outside opinion to combat their arrogance. But his main focus was the phenomenon dubbed venture philanthropy, which he said "starts from the principle that nonprofit funding is an investment rather than a grant".

While noting that a venture philanthropy-style focus on nonprofit efficiency and effectiveness can be healthy, Sievers cautioned that the core principles of the practice threaten nonprofit distinctiveness. He also asserted that another threat to the sector borne of venture philanthropy is what he called the current, counterproductive 'mania' of focusing on measurable outcomes of nonprofit activity and asked:

"What are the core operating principles of the venture capital (VC) model, and how well do they apply to the world of nonprofits? I want to suggest that there are three fundamental assumptions of venture capitalism that become deeply problematic when transferred to philanthropy:

The Bottom Line
"In business there is a single, and elegantly simple test of success: Do you make money or not? But what is the equivalent of the bottom line in the nonprofit world? I would suggest there is none, or, perhaps more accurately, there are many. Nonprofit activity has a complex and intangible range of aims that often elude simple classification and measurement.

"Consider the panoply of goals of dance companies, youth development programs, bioethics institutes, advocacy groups, character education organizations, cultural identity programs, and even, I would add, academic centers dedicated to the advancement of learning in the nonprofit sector. Not only are the goals among these enterprises highly diverse and incommensurable, but their internal goals are frequently incommensurable as well. For example, let us take an attempt to apply metric comparisons to the multiple aims of an international teacher exchange program that simultaneously seeks to: increase appreciation and understanding of other cultures, expand pedagogical horizons, broaden student perspectives through teachers' experiences, build lasting friendships, and provide participants with a sense of renewal. Yes, questionnaires can be devised to survey teachers' responses, but we know that a single "aha!" experience two years after the program has ended may outweigh all other factors in terms of its real effect.

"Or, think of an organization dedicated to the creation and performance of new music: What

are the measurable success criteria here? Number of positive reviews? Number of performances? Level of audience satisfaction? Audience numbers? Earned income? What may be most important is the transformative impact of the organization's work on the field of modern composition, and that is a highly subjective judgment call.

Performance outcomes
"Champions of venture philanthropy (VP) chide 'traditional philanthropy' (by which is meant everything that is not venture philanthropy) for failing to apply rigorous measures of performance to their work, both their own and of that their grantees. While I do think it is healthy for the field to push itself to become as rigorous as possible in specifying the results it seeks to accomplish and quantifying them wherever feasible, the current mania for measurable performance outcomes can be counterproductive or sometimes just plain silly. An example of counterproductivity is the wave of teaching-to-the-test now sweeping the public schools that seems inevitably to result from an exaggerated emphasis on standardized testing. A wonderful description of the point at which an outcomes fixation reaches the level of absurdity appears in a delightful recent essay, 'Generosity Without Measurement', by Ira Cutler, former Director of Planning at the Annie Casey Foundation. As Cutler observes, the current hyper-emphasis on measurable outcomes is producing, 'a system in which we now cannot admit that evidence is scant and shaky and have to continue pumping up expectations about not only our successes but about our ability to measure success. There are folks out there from prestigious scientific think tanks telling people that $1 spent on this or that

program will produce $7.11 in savings. Not about $7, not $7.10, but $7.11. Surely this is foolishness'.

"Apart from the problem of multiple variables and multiple inputs, which make cause and effect calculations next to impossible purely from a purely mathematical standpoint, there is the more fundamental problem of what the philosopher Albert North Whitehead called, the 'fallacy of misplaced concreteness'.

Investor Control
"In a typical VC investment, the investor assumes an ownership role and thereby becomes actively engaged in the management of the enterprise, often taking a board seat, weighing in on hiring/firing decisions, using contacts to secure other investors, and steering company policy. Based on this model, venture philanthropists are encouraged to become 'highly engaged' in the organizations to which they allocate their funds, using their personal involvement as well as their funds to advance the work of the nonprofits. Such involvement can certainly benefit the chosen organizations, but it also raises sensitive issues of power and control.

"There is a significant difference between an owner and a donor. The former has an obligation (and a legal right) to seek to pursue the common goal of all involved-maximizing return on investment. The latter enters into a much different relationship with the investee organization – he or she is typically one of many sources of support for an enterprise that has a pre-established mission that is the product of the vision of a founder, a board of trustees, and sometimes a group of members. Nevertheless, the power balance in such an

organization can be easily skewed by a single large donor, especially if the donor wants to exercise active influence.

"This poses a problem for nonprofit governance. Key to the special role of nonprofits in civil society is their ability to direct energy toward self-chosen ends, avoiding control by either the market or the state. An overly intrusive donor/investor can threaten this independence. At first this issue may not seem all that important; after all, what nonprofit would not welcome a supportive and engaged new donor? However, it turns out to be the single most troublesome factor for nonprofits who have been venture philanthropy recipients.

The Exit Strategy
"The final problematic assumption is the idea of an exit strategy. In venture capitalism, the return to the investor typically occurs at the time of a successful public buyout, typically three to seven years. At this point the VC investors cash their cheques and either buy their yachts or put their gains into new ventures (or both). What is the analogue in the non-profit world? Lacking any equivalent to a public buy-out, venture philanthropists sometimes suggest financial self-sufficiency as a goal to trigger the end of an investment cycle. But this is a dubious goal, because there are in fact only three streams of possible revenue for nonprofits: contributed, earned, or government. In the face of clear limits on the latter two sources (because of the non-commercial nature of nonprofits and severe current constraints on government funding), this leaves contributed income. Although growth in contributions by individual donors is always possible, one suspects that an important part of

the search for VP replacement income will involve other foundations. I have had direct experience with the consequences of the exit of VP funding in the form of requests to our Fund, and it does not seem to provide any new solutions to the problem of nonprofit sustainability".

One feature of venture philanthropy and of many of the grant-makers that adopt an investor profile is the utilisation of the vocabulary of the financial investor. Commenting on this in respect of the new approach adopted by the Edna McConnell Clark Foundation, Michael Bailin, wrote in the Foundation's 2000 Annual Report:

"Working in a field rich with jargon and trendy clichés, we hope to be as plain and explicit in how we write and speak as we are deliberate in what we do. Toward that goal, we are guided to some extent by an essay we published this past year under the title 'In Other Words: A Plea for Plain Speaking in Foundations'. In that short piece, Tony Proscio drew our attention to the burdensome vocabulary of the foundation world, including a rich sampling of the business lingo that can easily overwhelm our discussions of investment, high-performance organizations, and measuring outcomes.

"I am keenly aware — and readers of this report will no doubt deepen my awareness — that we have not managed to scrub our work completely clean of such jargon. To any such critics I will plead, if not innocent, at least not-terribly-guilty.

"As we venture onto new terrain, shifting from old ways of working to new, we recognize the need to explain what we are trying to do as clearly and precisely as possible. We want

reactions from others in youth development and philanthropy – critiques as well as encouragement – and that means being as concrete and clear as possible in what we say about our work".

This discussion of venture philanthropy, while helping to distinguish the concept from the approach to investor funding that is promoted by TRI, does also raise a number of questions that are no less relevant to any grant-making organisation considering how far to go in introducing outcome funding and a more 'engaged' relationship with the organisations that it decides to support.

As a footnote to this section it may be worth observing that, though the current level of interest in venture philanthropy indicates that the concept is a new one, John D Rockefeller III in fact used it in 1969:

"Private foundations often are established to engage in what has been described as 'venture philanthropy,' or the imaginative pursuit of less conventional charitable purposes than those normally undertaken by established public charitable organisations".

Section four
Impact, outcomes, outputs, monitoring and evaluation - the jungle of terms and confused definitions

Outputs and outcomes – and impact

This is an area of debate within which inconsistencies in meaning and definitional confusion seem to be endemic. Even between TRI and the Community Fund the term outcome seems to have different meanings – the Community Fund using the term to describe what TRI calls targets; and TRI using outcomes for what the Community Fund calls long term changes. This would probably not matter if the debate was restricted to academic and seminar debate, but it does matter when the funding survival of a voluntary sector project may depend on funder and funder sharing an understanding of the terms used to define the funder's expectations and the terms and conditions of the grant. It will be of considerable importance that the Community Fund defines its terminology with care and consistency when it sets out what it means by outcomes and investment.

In most of the relevant literature, a distinction is made between outputs (what TRI describe as activities) and outcomes – and impact; for example in, 'Striking a Balance: A guide to making NGO's effective in international development' A.Fowler; Earthscan/INTRAC 1997.

"The term Impact Assessment is increasingly commonly used. One definition (from the Performance Assessment Resource Centre) is that impact assessment "examines the effect of the project/programme interventions. There may be intended and unintended impacts. An impact assessment tries to differentiate those changes that are attributable to the project/programme interventions, from other external factors contributing to change. In other words, impact assessment tries to assess what has happened as a result of the project/programme, and what may have happened without it".

Outcome monitoring

In the voluntary sector in the UK, the most extensive work on outcome monitoring has been undertaken by the Charities Evaluation Service. In their Discussion Paper 7 (CES 2000) on outcomes, they define outcomes as:

"Changes that indicate whether an organisation has made progress towards achieving its aims and to what extent its interventions are making a difference.

"Most voluntary organisations exist to make a difference for a particular group of people – the clients or intended beneficiaries of the service. So outcomes are very often changes in or for people. An outcome can therefore be defined as 'a change within the client', where the change can be taken to mean for example:
• a change in health (physical, emotional or psychological); and/or
• a change in behaviour or lifestyle".

CES defines outcome monitoring as:

"the measurement of change (or change in clients) over time.

"Outcome monitoring enables an organisation to gather and report information on the proportion of their clients or target group who changed or benefited in some way. It could be, for example, the proportion who were housed, accessed education, stopped taking illicit drugs, gained in confidence, reduced their criminal activity or reduced their risk taking behaviour.

Outcomes (or outcome indicators) are one form of performance indicator and are sometimes called indicators of success.

"Outcome monitoring does not mean:

• gathering output statistics, such as the number of clients or sessions delivered; or
• obtaining feedback on customer satisfaction or service quality (though both of these have a useful role in monitoring and evaluation).

"An outcome can only be measured by collecting the same information [about clients] at at least two points in time and comparing the results".

Hard and soft outcomes
CES also distinguish between hard and soft outcomes:

"A 'hard' outcome is an outcome which shows that the main aim of an organisation has been achieved. For example, for a youth homelessness charity, the hard outcome might be the proportion of young homeless people in the target area or group who were housed over

Point of measurement	What is measured	Indicators
Outputs	Effort	Implementation of activities
Outcomes	Effectiveness	Use of outputs and sustained production of benefits
Impact	Change	Difference from the original problem situation

a particular period.

"The term 'soft' outcome is sometime used to refer to an intermediate measure which indicates that positive change has occurred towards the main aim. For example, a homelessness charity might record increased confidence and motivation among its clients.

"Soft outcomes can be intangible and subjective and tend to be personal to the client group. Soft outcomes also tend not to be the bottom line for statutory commissioners in particular, as they are unlikely to feature in their local targets. Some therefore question their value. However, soft outcomes can provide a good illustration of what the service provider and/or service user would describe as the positive outcome of an intervention and can raise awareness of the steps or stages along the way to achieving the main goal".

Social investor/social investment/programme related investment
Within the Community Fund, discussion about introducing outcome funding has gone on in parallel with debate about the Fund taking on what has been described as the role of a social investor.

The adoption of this term by a grant-making organisation could create some confusion as, within the UK, social investment is now usually used to refer to financial investments made with the dual purpose of generating a social return as well as a financial return – albeit that the latter is likely to be at a lower rate that an investment made only to secure a financial return.

This definition results mainly from the report of the Social Investment Task Force (Enterprising Communities UKSIF 2000) and the subsequent actions by the Government and by community organisations to develop new streams and systems of community finance and local economic development.

The term Programme Related Investment (another import from the USA) is becoming increasingly heavily used in the UK to describe a social investment made by a charity ie a loan or other investment that will not only generate a financial return but will also support the delivery of some aspect of the charity's purposes.

Monitoring and Evaluation

TRI prefers to avoid the use of the terms monitoring and evaluation, regarding the former as too much associated with paper based compliance regimes and the latter as always taking place retrospectively, too late for any lessons to be applied constructively to the work that is being funded. They are, nonetheless, terms in common use by funders in all sectors in both the UK and the USA. A variety of monitoring and evaluation systems have been developed (several of which are quoted elsewhere in this report) which address the criticisms made by TRI. Definitions of both terms are, therefore, included here.

Monitoring

"Monitoring is about keeping track of where and how things are going. It is primarily a management tool designed to tell you where you are, whether you are on course, why this may be so and how you might correct it. Monitoring involves deciding what information will be useful, setting up systems to collect it, collecting the information, then reviewing it".*

"Monitoring is the process of gathering and recording information on a regular basis. It keeps account of progress and work undertaken against a set of agreed objectives, targets and indicators".#

Evaluation

"Evaluation is designed to assess whether the project achieved what it set out to achieve but it may also ask whether the project achieved other things. Evaluation may be concerned not simply with the achievements of a project but with those achievements relative to cost. One real purpose of evaluation should be to consider, and if possible to understand, success and failure. Knowing why something did not work may be less satisfying than demonstrating success but it may be just as valuable".*

"Evaluation is the process of looking at monitoring information and making a judgement or series of judgements on the quality of the progress and work and its success against expectations and stated aims. It looks at outputs or results – what has been done. It is qualitative, assessing outcomes in terms of the impact on the original problem. The evaluation process requires some experience and knowledge of the field in which the work is being undertaken".#

(* these definitions are taken from Grant-giving: a Guide to Policy-Making by Diana Leat Joseph Rowntree Foundation 1992)
(# these definitions are taken from Funding: a Code of Good Practice; Home Office Active

Community Unit 2001)

Standards of Monitoring and Evaluation
There is extensive literature on monitoring and evaluation in the UK, especially in relation to the funding of NGOs working on overseas development. One general set of principles underpinning effective systems of monitoring and evaluation that may be relevant to the work of the Community Fund states that:
• the system should be minimum but cost effective, it should be intelligible to both staff and project partners at all levels and should not require onerous and unnecessary reporting;
• the system should be designed to develop the reflective and analytical capacities of those involved and not merely result in the mechanical undertaking of pre-programmed activities;
• the system should be able to feed consistent, quality information on output, outcome and impact into the annual project cycle – both for accountability and learning purposes – leading to the ongoing adaptation of plans and objectives;
• the system should emphasise decision making and analysis and nor merely be geared to the collection of information and data;
• the system should be based on the assumption that change as a result of social development may be unpredictable and that its evaluation, therefore, cannot always be based on predetermined expectations of likely outcomes;
• the system should be based on as wide as involvement as is realistically possible and necessary and one which values the contributions of all the various stakeholder groups;
• the system should emphasise the

monitoring function more than the ex-post evaluation approach; and
• the system should acknowledge the value of alternative sources of information.

(Outcomes and Impact: Evaluating Change in Social Development Peter Oakley, Brian Pratt, Andrew Clayton INTRAC NGO Management & Policy Series No. 6 1998)

Section five
Outcomes and the investor approach –
the UK experience

Types of grant-maker
Within the UK, research into the practice of grant-making organisations is somewhat sparse (though, as is acknowledged later, there are now a substantial amount of studies of evaluation and funding of NGOs working in developing countries which is relevant to this report).

Diana Leat is one researcher who has contributed significantly to thinking about the funding of the voluntary sector – in particular by trusts and foundations. In a report by her commissioned by the Joseph Rowntree Foundation (Grant-giving: a Guide to Policy-Making 1992), she identified three types of grant-making organisation: Gift-givers; Investors; Collaborative Entrepreneurs. She described them as follows:

Gift-givers, Investors, Collaborative Entrepreneurs
Gift-givers –
 "Trusts which adopt the gift giving approach do not usually have very clear priorities; they wait and see what people ask for. Gifts are usually one off and the recipient should not rely on another next year. The gift giver has little need to do extensive investigation before choosing whom to give to. Evaluation is not a major issue for gift-givers because success and failure are not dominant words in their vocabulary; gifts are gifts and success and failure do not really come into it".

Investors –
 "Unlike gift-givers, investors usually spend considerable time deciding into which specific areas they want to put their money. The investor does considerable research into the abilities and structure of the applicant organisation, its plans and projected costs. If an investment is failing, the investor may give another grant or may pull out. Unlike the gift-giver the investor talks in terms of success and failure. The investor always prefers success but is not afraid of failure. It follows that investors spend time and money monitoring their investments. Typically, however, they do not become very involved in the management of the organisations in which they invest. Like shareholders, they may require reports but in general they adopt a hands-off approach letting the grant recipient get on with its job it the way it sees fit".

Collaborative entrepreneurs –
 "This type of trust knows what it wants. If what it wants does not exist it goes out and finds a voluntary organisation to work with to create what it wants. The trust specifies the broad outlines of what is to be done and, in negotiation with a 'supplier', agrees a price and a plan of action, specifying clear objectives, performance targets and quality controls. The relationship between trust and grant recipient is one of partnership over a period of years. They work together to achieve mutually agreed objectives and the trust may be fairly heavily involved in the management of the project. Monitoring and evaluation, key elements in this approach, are likely to be built into the very design of the work rather than being an 'end of term' activity".

Risk takers or fatalists; rationalists; realists; resource providers
In a later contribution to the discussion about types of grant-making, (Foundations as Fortune Tellers – the role of 'sustainability' in foundations'

pre-grant enquiries International Society for Third-Sector Research International Conference 1998), Diana Leat identified four broad categories of grant-maker:

"Risk takers (or fatalists) were happy to give to good causes without worrying too much about good outcomes, either because they believed that giving to good causes is an end in itself, or because they believed that good outcomes were too unpredictable to be worth spending time on".

"Rationalists placed great store in making direct contact with applicants. They aimed to achieve good outcomes – not least as a way of demonstrating their legitimacy and effectiveness. Rationalists believed that the more information they had the more likely it was that they would be able to predict good outcomes".

"Rationalists were divided into two broad sub-groups: individualists and managerialists. Managerialists believed that it is possible to predict good outcomes by assessing the project, the organisation and its management structures and processes – they were likely to emphasise collection of 'objective' facts and figures. Individualists might also collect information about the organisation and its management but they attached as much significance to the particular people involved. They paid equal attention to subjective knowledge".

"Like rationalists, realists were also interested in good outcomes, but, like risk takers, they accepted that social change is an unpredictable business. They did not believe in any one 'right' management structure, but they did believe that it is possible to identify certain recipes for disaster.

They believed that good outcomes were a product of interaction between people and organisations in social, economic and political environments. Realists believed that the future is never quite as we expect, that sudden shocks are as influential as trends. They recognised the limitations of assessment. They were interested not only in how things are now, but also in how the applicant will cope with future uncertainties.

"Realists were not fatalists. They tried to work with informed risks. They paid attention to political and economic environmental factors and futures, to the roles of individuals, to threats, weaknesses and constraints. The point was not to predict those, but to focus on the organisation's awareness of and capacity to deal with such uncertainties".

"Resource Providers also engaged in pre-grant enquiry but saw it not solely in terms of information for grant-making. They saw pre-grant enquiry as an opportunity to do more than, or something different from, giving a grant. They perceived their role as achieving good outcomes by giving advice and/or support to organisations working towards goals consistent with those of the foundation, even if they did not give a grant. Resource providers were similar to rationalists in that they implicitly believed that the 'right' advice could help to secure good outcomes".

Reactive, interventionist and compensatory grants
Another typology of grant-making types was outlined by Julia Unwin in a study (Grant-making for a Change) commissioned by the (then) National Lottery Charities Board in 1999. This classification starts from the intentions of the

grant-making organisation.

"Grants can be:
• Reactive: answering a particular need as
  expressed by the community
• Interventionist: in order to deliver an approach
  as devised by the funder (albeit in partnership)
• Compensatory: in order to change or influence
  behaviour in the absence of other activity."

"While most grant-making in the UK," Unwin
observed, "has historically been reactive under
this set of definitions, increasingly some funders
are now considering a more interventionist
approach in which they choose an area or issue
for change and actively seek applications. Some
others are using their funding to actively
compensate for a lack of community activity in
the past. This might be as a result of major
structural change, as in the Coalfields, or a lack
of historic investment."

In her paper for the NLCB, Julia Unwin also
identified three types of return that a funder could
seek – these she categorised as having an
impact on the policy agenda, learning lessons
and developing a closeness to the recipient
sector. Funders, she argued, "will structure their
grant making differently depending on the return
expected". She illustrated the distinctions
between the returns as follows:

Type of return sought	Methods to be used
Impact on the agenda	Development of a portfolio of projects. Choice of areas of benefit informed by wider agenda. Investment in monitoring and review. Close strategic partnerships with other organisations.
Learning lessons	Significant investment in monitoring and evaluation. External scrutiny of process. Focus on fairness and equality of access to funding.
Closeness to community and voluntary sector	Focus on assessment of individual applications. Acceptance of reputational risk. Very wide application and assessment criteria.

"The work of the National Lottery Charities
Board can be considered against this template,"
Unwin argued. "It has been very successful
indeed in achieving closeness to the sector –
and this has provided it with a significant
element of its mandate. It has done this in a
way that few, if any, NDPBs have achieved, and
this provides it with a constituency of support
that is important. It also provides it with an
important database of information about the
sector and the priorities within it. However,
applying the template, it has had less
discernible impact on areas of public policy
and has struggled to learn lessons from its
funding experience."

Funding to achieve good outcomes

Diana Leat has also (1998) advocated "closing the knowledge loop", suggesting that:

"at present, foundations are severely hampered in grant-making to achieve sustainable outcomes because they lack any formalised body of knowledge regarding conditions associated with success and with failure. In part this knowledge deficit is a result of foundations' lack of interest and effort, and in part a result of the terms of voluntary sector funding.

"In order to receive funding, voluntary organisations must present themselves and their proposal as capable of making a (significant) difference. The grant applicant who appealed for funds on the grounds that 'with favourable social, economic and political conditions, and the constructive support of other people and institutions, this just might make a small difference' would be unlikely to get far with most funders. The result is that having promised too much to the donor and the public, the voluntary organisation is trapped in a vicious circle. If funding is to be maintained or is to increase in the face of growing demands, success is essential. Often it is exaggerated, while failures are downplayed or concealed. Important lessons are not learned, and only successes – often highly situational – are disseminated, usually in a public relations format. Foundation and government funders, faced with the same public expectations as grant recipients, become partners in the cover up.

"One only has to look at Annual Reports to know that voluntary organisations go from strength to strength, piling success on success. There are occasional exceptions to this general rule. For example, one trust recently published a five-year report on its work detailing the way in which in a variety of fields their support to voluntary organisations had been undermined by changes in government policy and withdrawal, or change in the terms of, essential statutory support. But significantly this was a grant-giver's, not a grant recipient's, report and the grant giver was an endowed trust whose income was not dependent upon success.

"Evaluation is, however, moving up funders' agendas. But, in countries where it is relatively sophisticated it is often used more as a control and justification mechanism by the donor agency than as a tool for learning or for disseminating findings. Evaluations are more often focused on outputs (and, less often, outcomes) than on why the project worked or didn't work. Furthermore, even when such analysis is done it is rarely fed back into the grant-making system".

'What is a good outcome?'

Some quizzical concerns have been raised within trusts and foundations about the growing enthusiasm of funders (and providers) for outcomes. In 1999, Tim Cook, the former Clerk to the Trustees of the City Parochial Foundation, completed a trilogy of papers for the Association of Charitable Foundations on grant-making: What is a Good Grant? (1997); What is a Good Assessment? (1998); What is a Good Outcome? (1999). In the latter, Cook commented that:

"Einstein said that he could see why so many people loved chopping wood, for '...one

immediately sees the results'. Unkind critics of funders might say that they do not want to have happy people, but rather people worrying about outcomes. Certainly for many applicants and funders alike, outcomes may be in danger of becoming a mantra rather than a workable and helpful tool to meet needs".

Tim Cook drew on his experience in the 1960s of running a hostel for homeless alcoholics to caution funders and providers against the delusion of being angels of prophecy and against setting arbitrary milestones at which to draw conclusions about the impact of a particular grant or intervention. He recalled one resident who appeared to have met every outcome target successfully who challenged him: 'I have been sober for six months, got a job, bought a bike, saved £100. What do I do now?' Neither the resident or Tim Cook had an answer. Within 48 hours the resident was drinking again and had died.

Cook also observed:

"homelessness agencies are all too familiar with the long term challenge – well beyond the period of project funding – of successfully rehoused people saying 'it's the loneliness, it kills you' ".

These examples reinforce the importance of ensuring that target outcomes have a meaning for and relevance to the needs and circumstances of service users and are not designed to provide a tidy short term 'result' to enhance the reports of either the funder or the provider.

Outcome setting and measurement in practice

The Community Fund is already introducing questions about outcome setting and measurement into its application form and guidance material. Many other UK funders – in both the public and charitable sectors – now include in their grant application assessment process questions about the methods of evaluation and learning from the work that the applicant organisations plan to undertake. Some have also explored ways of:
• encouraging applicants to integrate outcome management into their day to day operations;
• learning from and promoting lessons learnt from the experience of individual projects;
• linking the experience of clusters of individual projects on common themes or whole grant programmes; and
• assessing the impact of their grant programmes.

In this part of the report, a selection of examples are provided to illustrate some of these developments.

Alcohol Concern

Within the voluntary sector, Alcohol Concern has led the way on developing ways for a funder to work with grant aided organisations on outcomes. (Alcohol Concern is the national voluntary agency working on the reduction of alcohol misuse and on the development of a range of services for problem drinkers and their families).

Throughout the 1990s, with funds from the Department of Health, Alcohol Concern helped about 150 local projects get established, working closely with each of them to develop their plans, set clear aims and quality standards. Within part

of these grant programmes, Alcohol Concern introduced, tested out and refined with the grant aided projects a system of outcome monitoring. The system has been thoroughly evaluated and fully documented (for example 'Outcome Monitoring in Alcohol Services: Practical Experience and Informed Debate' Sara Burns, Alcohol Concern 1999). It also led to the publication by Alcohol Concern of 'A DIY Guide to Implementing Outcome Monitoring' (First published 1997; second edition 2000; both by Sara Burns). Within the general programmes, special attention was given to a number of groups which had been previously neglected – leading to further evaluation reports, for example 'Developing Black Services' by Gersh Subhra and Vipin Chauhan (Alcohol Concern 2000), a study of services targeted at people from ethnic minority communities.

Most of the agencies that were supported by Alcohol Concern are small, with a handful of staff and often significantly reliant on volunteers. By definition, they also often face challenging neighbour and reputational hazards, and are vulnerable to local political inertia and public indifference or hostility. Demonstrating the positive outcomes of their work was, therefore, a priority if the projects were to survive and secure ongoing public funding. Alcohol Concern provided active development worker support and 'investment' to the projects within the grants programme prior to and throughout the life of each grant. A consultant worked with both Alcohol Concern and the projects to set individually appropriate outcome targets and monitoring procedures. This was done largely through joint training days, so helping

projects learn and gain confidence from each other's experience.

Alcohol Concern comment that "the 'carrot and stick' approach of obligating agencies to embark on the outcomes monitoring path and holding their hands along the way proved very effective. One key outcome target for Alcohol Concern was the continued funding by local statutory authorities of the projects; this was achieved in almost all cases.

Reflecting on the decade of experience of this approach to grant-making, Alcohol Concern record that:

"The project helped:
• ensure effective quality alcohol services – by helping agencies actually measure effectiveness;
• deliver services to marginalized groups – by defining and legitimising appropriate and realistic outcome measures;
• increase long-term sustainable services – by helping projects to develop the processes needed for obtaining and maintaining local contracts – collecting data, training staff, analysing data and presenting it properly; and
• develop services of high quality – 'fit for the purpose' and systematically reviewed".

"What was different was that rather than just using grant conditions as a means to require certain standards of practice, we put resources into the hands of the experts, who in the course of the project developed the right approach to developing outcome monitoring and through this device ensured that effective services are on the ground for the people who need them."

Charity Evaluation Services (CES)
CES provides a range of training, advice and information services to help voluntary organisations develop and implement appropriate quality assurance, evaluation and communication systems. Its quality assurance 'package' (PQASSO) is widely used as is its approach to outcome monitoring.

CES has been funded by several grant-making organisations to help grant aided organisations develop skills and competence in setting outcome measures and validating performance. The Barrow Cadbury Trust, for example, is using CES to provide training for refugee community groups. BBC Children in Need hired CES to run over 60 seminars on self evaluation between 1996 and 1999 for organisations in receipt of three year grants; this led to the publication in 1999 by the charity of 'A Guide to Self-Evaluation: how to tell you are making a difference'.

In a CES Evaluation Discussion Paper on Outcome Monitoring (2000), case studies are presented of a women's organisation, a NSPCC Family Centre, a local environmental organisation, an alcohol advisory service, a national volunteering 'umbrella' charity and a local project for long term unemployed people – projects which had all adopted outcome monitoring successfully.

In the discussion paper, CES describes outcome monitoring as:

"…an essential element of evaluation. Organisations need to know their outcomes (the difference they have made) for two reasons: for accountability and for organisational learning.

The concept of outcomes is a valuable tool to ensure clarity and agreement over what a programme or project is aiming to achieve. Defining expected outcomes in the early stages of planning helps an organisation to clarify its aims. The outcomes can then be used when reviewing and revising a programme. This can be particularly effective where a programme has interventions at various levels – for example when there are interventions at an individual level as well as at community, policy or environmental levels. Expected outcomes can be defined for each level".

CES also comments in the paper that:

"For most agencies embarking on outcome monitoring, the main driving force has been to improve accountability to funders or to help secure funding. However there appears to be a greater acceptance among voluntary organisations that the process of examining the outcomes of an organisation's work is a key element of good management practice."

CES draws attention to the importance of establishing both hard and soft outcomes and also emphasises that funders, service providers and users may have different outcome expectations – all need to be defined, valued and measured.

Northern Rock Foundation
Most of the larger trusts and foundations have introduced systems of monitoring which are intended to do more than just to meet compliance requirements. An example is the Northern Rock Foundation, which was set up in 1997 "to help improve the conditions of those

disadvantaged in society". It mainly supports causes in the North East of England, especially Northumberland, Tyne and Wear, Durham and Teesside. During 2001 the Foundation awarded £11 million to 405 charitable organisations

At present the Foundation concentrates its funding on the following:
• supporting disabled people;
• helping the very young;
• quality of life in the third age;
• grants for small organisations;
• urban and rural regeneration;
• creative communities – the art of social regeneration; and
• outside in – a programme to combat the effects of discrimination on lesbians and gay men.

The Foundation's approach to outcomes monitoring of the projects that it supports is built round a series of short forms that the grantee organisation completes before the project starts, at the end of each year of funding (or at some other point(s) agreed as appropriate between the project and the foundation) and at the end of the funded period.

The first form asks, among other things, the organisation to say what the project hopes to accomplish, what evidence will show whether or not the project has succeeded, and how the achievements will be tracked and measured; the project also has to agree at the start with the Foundation's grants officer targets/milestones for the first six months, the first year, second year and long term.

At the end of each period, the project reports to the grants officer on whether the targets and

milestones have been met, partly met, not met, revised (the latter have to be agreed with the grants officer). The project is also asked to report on any difficulties that they have encountered and how these have been addressed and also if anything has worked out better than anticipated.

The Foundation uses its website to report on the grants it has made and publishes (web and paper) a twice yearly magazine, Rock Reports. Its purpose is to tell readers more about projects that the Foundation thinks "illustrate some good practice or which are unusual and deserve greater recognition". The Foundation states:

"This is not a menu of things we specially like to fund so do not treat the projects like blueprints for grant applications. What we really want is for readers to learn from them. If that means going to visit them and hearing more about them we will encourage you by contributing towards your expenses".

Similar approaches to monitoring and evaluation to the one that has been adopted by the Northern Rock Foundation are increasingly common among the larger trusts and foundations. Most rely on a combination of in-house staff (sometimes including a specialist or lead monitoring and evaluation officer) and external consultants; most also concentrate their time on the work of their larger grant holders, using a sampled approach for smaller grants.

The reports that are generated by staff for trustees provide not only a quantitative analysis of the work that has been funded but can also be the basis for a review of:
• the perceptions of grant holders and applicants

of the grant-maker's processes and performance;
• indicators of the organisational problems, external variables and unexpected changes that may be challenging the successful achievement of a grant programme's aims;
• users' views;
• a comparison between the levels of risk anticipated when the application was being assessed and those that were actually encountered; and
• all material from which the funder can learn.

Publicising the findings of such reports also helps to demonstrate to grant recipients and applicants that the funder does act on the monitoring reports that they have provided. As one Director of a grant-making trust commented to her Board:

"the monitoring and evaluation of grants can be labour intensive. Your policies need to strike a balance between the promotion of good grant-making practice and risk minimisation on the one hand and a system that is unaffordable within existing resources, on the other. Rigorous monitoring is time consuming. Monitoring visits provide a direct feel for the quality of an organisation's work that cannot always be conveyed in written reports and statistical data. Monitoring visits raise issues which add to and inform the overall experience of the grants team which in turn helps to raise the quality of future grants assessments. One such lesson is the necessity of absolute clarity both about the purpose of the grant and of our expectations of the organisation in terms of their own monitoring and evaluation of the grant and work".

The Diana, Princess of Wales Memorial Fund

The Diana, Princess of Wales Memorial Fund gives away at least £7 million a year – two-thirds to organisations in the UK, one third to organisations overseas. The Fund's major grant-giving themes are:
• displaced people;
• people at the margins of society;
• survivors of conflict and those requiring conflict mediation; and
• dying and bereaved people.

The Fund describes its mission as:

"by giving grants to organisations, championing charitable causes and creating new money for the charity sector, the Fund helps the most disadvantaged people to change their lives".

The Fund asks all applicants about their plans for self-evaluation – and it is not uncommon for an application to fail because the applicant's response to this question is considered to be unconvincing.

The Fund also asks (as part of their acceptance of grant terms and conditions) all organisations that it funds to identify:

"three project goals that they hope to achieve during the first twelve month's funding and to describe how they will know that they have accomplished them; and three key benefits to users that they expect the project to deliver in its first twelve months and to describe how they will know that they have succeeded".

These are reported and monitored at the year-end and new ones set for the following year. Drawing on the Fund's Values Statement, an additional approach to evaluation has been developed which is wider than the impact of a particular piece of work or individual project. Rather it is focussed on themes and trends that are emerging from the organisations that the Fund supports:
• models of good practice;
• approaches or processes that might be replicable;
• actual or potential influence on policy or attitudes; and
• lessons that can be learnt across projects, within the voluntary sector as a whole, wider in society and government.

The Fund describes the point of its evaluations as to 'learn from the programme' and has identified "three types of learning:
• *Internal – for the Fund*
  Have the projects gained any value from the 'Diana effect'?
  Is the Fund grant-aiding/championing the right areas to achieve its stated aims?
• *External*
  What opportunities are there for learning between the projects?
  What opportunities are there for learning (from both successes and failures) for the voluntary sector?
  How can these lessons be applied?
  Are there opportunities to influence policy and practice and/or for the Fund to promote an issue further?
• *For the direct beneficiaries*
  Have the projects achieved their aims?
  What went wrong/right?"

The Fund is particularly emphatic that this evaluation of the experience and work of clusters of projects is designed to be in itself a worthwhile and fertile experience for project beneficiaries and service users. The Fund has, for example, chosen a method of evaluation of effective user involvement which gives users from different projects the opportunity to meet and debate their experiences together.

The Lloyds TSB Foundation for England and Wales
The experience of the Lloyds TSB Foundation for England and Wales illustrates the difficulty of arriving at firm judgements about outcomes and impact from a retrospective study.

The Foundation is one of the country's largest generalist grant-making charities – in 2001 its budget was £24.9 million; its grant-making is aimed primarily at the "support of local communities, helping people to improve their quality of life".

The Foundation's 2000-2002 strategic plan committed it to carrying out an assessment of "the impact of our grant-making…in the light of the outcomes we want to achieve". Using questionnaires, 71 grant recipients were interviewed by Foundation staff during the first quarter of 2001 as part of a pilot study that aimed to establish "whether the Foundation is making a difference…and to test out the suitability of the questionnaire as a method of assessment". The Foundation wanted to measure impact at three levels:
• on the beneficiaries of the charities;
• on the capacity of the charities and of the voluntary sector; and

• on the development of wider social policy and practice.

The study was considered to be of practical use by the Foundation and provided some positive indicators to the success of the aims of the grant-making programmes. A further pilot is planned for 2002 which is intended to develop the questionnaire methodology further and to apply it to a wider range of types of grant and grant programmes.

The questionnaires enabled some helpful information to be provided to the Foundation on the scale of the activities that were funded and the people who were assisted. As a method of assessing outcomes, however, the retrospective questionnaire has some clear weaknesses. As some of the charities in the first pilot commented:

"…information needs to be provided at the beginning of the grant-making process so that organisations are able to collate required information from the beginning…charities need to be informed as to what is required for a) monitoring and evaluation processes and b) impact assessment…many of the criteria are difficult to measure, in particular when talking about community development, much of the evidence can only be anecdotal…how much can organisations invest in monitoring and evaluation unless funders provide the money to be able to do so?"

The Foundation's report of the pilot also acknowledges the difficulties of demonstrating the impact of the grant as opposed to all the other factors that may have had impact – positive or negative – on the successful accomplishment of the outcomes that were being aimed for. The report concludes:
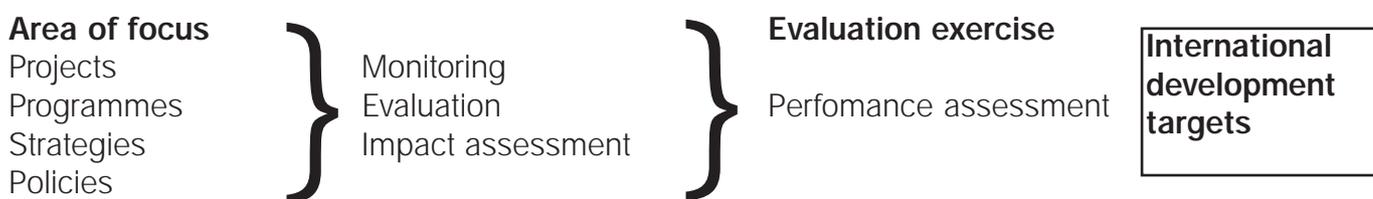
"In terms of lessons learned from the pilot, of specific relevance was that the outcomes we hoped to achieve as a result of funding within our Areas of Special Interest (AOSI) were not clarified when the AOSI were initially identified, leaving us to decide what we wanted to achieve within our priority areas."

Outcomes, evaluation and impact assessment in international funding
The most extensive debate within the UK voluntary sector and the most detailed research about outcome measurement, impact assessment and evaluation have taken place within the international development sector. The Department for International Development (DFID), the lead government department, along with the major charities and a number of specialist academic centres and institutes, has been active for many years exploring and testing out a diversity of ways of setting targets and performance indicators, measuring their achievement, identifying lessons learnt and applying them to future practice – and of involving the communities and groups who are the intended beneficiaries of this sector's work in the planning and implementation of these systems.

The Log(ical) Frame(work) matrix has been used extensively within the international development sector – this enables the targets for various levels of investment and outcome to be set and measured along with a variety of methods of verification (including ones that provide a central role for user participation). Other methods (such

as that promoted by the Performance Assessment Resource Centre – illustrated below) seek to ensure an integrated and consistent approach to assessment – whether at the level of local project, programme, or policy strategy:

Area of focus
Projects
Programmes
Strategies
Policies

} Monitoring
Evaluation
Impact assessment

} **Evaluation exercise**

Perfomance assessment

| International development targets |

Central to much of the current debate is the search for ways of understanding the impact of particular interventions (including funding programmes) on those they are intended to support that take account of the many other variables that will influence the success or otherwise of the particular intervention. DFID is giving special attention to what is called the sustainable livelihoods approach.

A common theme within the international funding arena is the importance of funders incorporating within their work the support of the development of capacity, skills and confidence within the organisations and community groups they are assisting. The funders' general experience seems to be that attention to capacity building helps to ensure not only that the intended outcomes of the grants are more likely to succeed but that the organisations are better equipped to carry out outcome management tasks and to promote and apply lessons learnt as the work progresses – raising the prospects of a sustainable future.

The concerns expressed by TRI and others about evaluation systems being retrospective and

therefore of little value in verifying milestones or helping an organisation adjust its objectives to take account of interim progress have been addressed in the international NGO sector for a long time – 'real time' evaluation provides regular verification and opportunities to identify the need for change and goal resetting during the life of a grant.

The international NGO sector and its funders have also grappled in depth with how best to balance and integrate quantitative with qualitative measures and tested ways of judging both in practice with equal weight. This is essential if account is to be taken of the values that inform and underpin the work of the funder – when, as in the case of the Community Fund, these cross-cutting values are explicit and intended to apply across all grant programmes.

The staff within the Community Fund working on the next stage of the Fund's *International grants programme* are familiar with much of the relevant literature and practice. They have already applied some of the current 'best practice' methods to the Fund's new mission and targets – a further

indication that much of the experience needed to introduce an outcome approach to the work of the Community Fund already exists within its own resources.

Other developments in the UK
In considering how best to introduce outcome measurement and management into its work, the Community Fund will need to take account of a number of other developments that are having impact currently on the UK voluntary sector in addition to those that are taking place within the trust and foundations sector (and within the Community Fund itself).

Quality Assurance: Voluntary and community organisations are becoming increasingly familiar with the concept of outcomes. Some form of outcome measurements is required in most quality assurance systems that are operating within the sector. The QuADS project, for example, is being extended throughout England to assist alcohol and drug services enhance quality. It aims to help agencies working in planning teams to achieve consistent standards when commissioning and providing services. In April 2002 the Department of Health will be asking all agencies in the drug misuse sector in England to put into place standards such as those provided by QuADS. In Wales, Key Performance Targets are being established for alcohol and drug services and in Scotland, STRADA has been established to provide focussed training for those planning and delivering services. Similar moves are taking place within other parts of the social care sector.

Best Value: Best Value systems also require as standard practice clarity of targets and performance indicators. Many local authorities have been much criticised by voluntary organisations for a resistance to risk and a heavy handed reliance on simplistic quantitative targets and output measures. Recent developments, however, (for example in Beacon Councils and in work prompted by the Improvement and Development Agency) have increasingly emphasised the importance of setting and measuring outcomes, of adopting a more subtle approach to qualitative measures and of taking account of variables consequential on changes in the external environment. Local authorities are now encouraged to implement a 'Learning Culture' (and this should apply no less to their grant making and commissioning functions as to other aspects of their work):

> "in order to develop new ways of working, there must be a willingness to experiment. Of necessity this involves the risk of failure. Furthermore, any established process or system will, on occasion, fail. A beacon council places an emphasis on learning from such failures" (from 'Ten Attributes of a Beacon Council', The Improvement and Development Agency 2001).

Quality Standards Task Group: The work of the Quality Standards Task Group is also relevant. The Task Group was established as a consequence of the Deakin Commission's report on 'The Future of the Voluntary Sector' (1996) – which itself reported that 'performance measures are here to stay'. After extensive consultation within the voluntary sector and with funding organisations, the Task Group has recently (October 2001) published 'Quality Matters: Funders and Quality in the Voluntary Sector'. Of the four 'key items' identified by funders as necessary to help them 'tackle quality improvement and measurement in

the voluntary sector', two are directly relevant to this study and the concerns of the Community Fund:

• "guidance on measuring outcomes, particularly in relation to funding programmes that are harder to measure, such as capacity-building and community involvement;
• more opportunities for funders and fund-seekers to work together on establishing jointly agreed measures for determining the quality of outcomes".

In introducing outcome measures, the Community Fund will have an opportunity to ensure that its revised methods of work meet the standards set out in this report, for example, for dialogue about outcomes and quality improvement between funders and fund-seekers – something that I have no doubt the steps that are currently being taken within the Fund to enhance processes and procedures will have no trouble attaining.

The Neighbourhood Renewal Unit: Other funding systems that are supporting voluntary and community organisations are also being revised to try and break away from a compliance and output fixation. The Neighbourhood Renewal Unit, for example, has introduced Local Strategic Partnerships and 'floor targets' as the basis for the implementation of the government's regeneration strategy in the 88 most deprived districts in England – voluntary organisations within these areas are going to be increasingly familiar with the local impact of this approach and its emphasis on outcomes.

The Compact: Another relevant recent publication is the Code of Good Practice on Funding that has been issued by the Compact on Relations

between Government and the Voluntary and Community Sector in England. This code applies to all Government departments, including regional offices and executive agencies. It does not apply to lottery distributors but the principles and framework that it sets out are likely to become increasingly familiar within the voluntary sector. It also addresses issues of performance measurement, monitoring and evaluation; and of how multiple funders of the same organisation should try and coordinate their relationships with grant assisted organisations. Again, the current revisions to the ways that the Community Fund organises its grant-making provide an opportunity to ensure that, where appropriate, the standards of practice advocated in the Code are matched.

The Community Fund will have to be careful to introduce new outcome measurement systems with sensitivity if they are not to be seen by the voluntary sector as another burdensome compliance requirement – coming at a time, moreover, of so many other changes to funder requirements. As the Compact Code acknowledges:

"an effective framework should take account of the monitoring procedures already agreed by the organisation's other funders and any quality assurance system introduced by the organisation itself. These should be examined to see if they satisfy the funder's needs before devising any additional requirements".

The code also states that funders should recognise the cost of monitoring and evaluation and fund such costs as part of a grant.

The cross-cutting review of the role of the voluntary sector in service delivery
Though not completed by the date of this report, it seems probable that the conclusions and recommendations of this Treasury led Review will endorse the use of performance indicators and outcome measurement by funders supporting services that are provided by the voluntary sector, further reinforce the Compact and encourage the adoption of the sorts of quality standards in funding that have been set out in Quality Matters: Funders and Quality in the Voluntary Sector.

Funders as investors in the UK
In considering the TRI version of the investor approach and the experience of venture philanthropy in the USA, the Community Fund is assessing how far down the investor 'road' it might go. The spectrum of possible levels of investment is a long one, as the report has already shown:
• a targeted approach to specific priority groups;
• active out-reach to potential applicants; and
• the requirement of applicants to set out clear outcomes and to introduce formal verification systems (and the provision of information, training and support to help them to meet the requirement).
These components of an outcomes approach to funding already involve a level of investment well beyond that of the traditional grant-maker.

Some versions of the investor approach involve a funder going even further. These can include a funder being directly involved in the outcome measurement and verification process and in decisions about policy or operational changes that may result. They can (as in the example already provided of the work of Alcohol Concern)

involve a funder promoting a project's long term funding prospects directly with other funders. They can involve a grant-maker nominating trustees or committee members – or taking on that role itself.

In the part of the report that follows, this spectrum of possible levels and intensity of investment are illustrated from the experience of trusts and foundations. Though I have found no examples of a trust or foundation within the UK operating the TRI investor model, the extracts from Diana Leat's work illustrate that the concept of a funder operating as an investor is not new in the UK. Indeed, one criticism of the TRI approach is that it does not acknowledge the extent to which many funders (in the USA as well as the UK) already operate within the space in between their Funder and Investor models.

The Baring Foundation
The Baring Foundation has demonstrated an investor approach within several of its open grants programmes. It targeted specific local areas within which it then welcomed applications from throughout the voluntary sector. Locally based advisers met with applicants, helped them shape their applications, represented those applications within trustee meetings and then kept in contact with the grantee organisations, both formally when reports were due and informally as part of their 'presence' in the region. This close involvement with a local voluntary sector certainly helped the Foundation keep well informed about local circumstances, developments and personalities; it also made it possible for people of the kind defined by TRI as 'spark plugs' to be identified and assisted. The interests and enthusiasms of the individual local

advisers, however, were undoubtedly reflected in the Foundation's grant-making. This was never disguised and the status of the Foundation as an independent charitable foundation meant that it generated no significant reputational problems. It seems unlikely that the Community Fund's semi-public agency status would allow it to operate so flexibly and, in effect, discriminately.

Another aspect of the Baring Foundation's grant-making experience may also be relevant. It pioneered the long term core cost funding of medium sized voluntary organisations – but it restricted eligibility to organisations that it itself identified and invited to apply; those applications were assessed in competition, but there was no open application system, the Foundation taking the view that its broad interests across the voluntary sector would lead to it being completely swamped if applications for core cost grants were open. Such a 'closed' system may be possible for an independent charitable trust – but it would not sit easily with the Community Fund's perception of its role and obligations.

City Parochial Foundation (CPF) & The Trust For London (TFL)
The CPF ('a trust for the poor of London') and its partner grant-maker TFL ('helping small new emerging charities in London') have a long track record of investing staff time in the development and evaluation of new programmes and project initiatives that they are funding. One of the more sustained of these has been the Small Groups Worker Scheme which started in 1991, placing small group development workers in the Councils of Voluntary Service of nine London boroughs. The scheme gave particular priority to supporting groups within ethnic minority and refugee

communities. TFL staff helped in the recruitment of the workers and were members of the 'tri-borough' advisory and monitoring groups.

The outputs of the initial pilot projects were substantial, providing support to over 700 community groups and customised training to over 1000 group members; the scheme was expanded to other boroughs in 1996 and an evaluation published (Alison Harker and Maknun Gamaledin-Ashami) the following year.

CPF and TFL have been active participants in the implementation and evaluation of the products of other grant programmes, for example the Mother Tongue and Supplementary Schools Resource Unit. This originated from research undertaken by TFL in 1996. The research revealed that many supplementary and mother-tongue schools needed not only financial support, but also additional skills to obtain and handle funding and run classes more effectively.

Jointly with other funders, CPF also set up in 1994 the Evelyn Oldfield Unit which provides specialist support for refugee organisations. Furthermore, working with a number of refugee community organisations, in 2001 CPF set up Employability which provides practical help to qualified professionals from refugee communities in Britain.

The Joseph Rowntree Charitable Trust (JRCT)
JRCT launched its West Yorkshire Racial Justice programme in 1992 following a research project published the previous year: The Face of Diversity: the Black Voluntary Sector in West Yorkshire. The programme aims "to promote the full participation of African/ Caribbean and Asian

people in community life in Bradford, Calderdale, Kirklees, Leeds and Wakefield".

The programme supports ethnic minority community groups, enabling them to respond to their needs through collective action, and facilitating them to work together strategically and to campaign for equality in social and civil rights.

To implement the programme, the Trust employed a specialist development officer to promote the availability of funds, advise and assist applicants, organise consultation events and representations to other funders and the local authorities.

Over the first five years 57 organisations in West Yorkshire received grants from this programme. The Trust endeavoured to help strengthen the capacity of the black and ethnic minority voluntary sector and offers individual groups the opportunity to work with trainers and consultants on areas of identified need. This might cover such things as how to:
• start a group;
• set objectives;
• encourage involvement;
• organise a management committee;
• plan and manage finances; and
• relate to statutory authorities.

The Trust's specialist Development Officer helps groups define their needs and find an appropriate consultant or trainer.

The Trust also encourages networking between groups. It organises meetings for those involved in racial justice issues in West Yorkshire to discuss social policy issues of particular significance to the black and ethnic minority communities. In 1997 the Trust commissioned an independent evaluation "The Scales of Justice" and, drawing on its recommendations and subsequent further consultations, continues to support the programme.

Bridge House Estates Trust
Many trusts and foundations that are largely reactive in their work – inviting applications for specified programmes, each with published aims, criteria and processes – also mount a limited number of proactive initiatives. In these they adopt a direct 'investor approach'. One example of such a trust is the Bridge House Estates Trust and its work to sponsor, set up and pump prime The London Sustainability Exchange (LSx).

The decision to set up LSx arose from both a determination of the trustees (the Corporation of London) to take a large scale strategic initiative and the very low response in its early years (1995-1999) to one of its five grant programmes, Environmental Conservation.

Following consultation within the environmental sector, a report was commissioned into the feasibility of setting up in London a centre for sustainable development. The report:

"established conclusively the need for an independent charity promoting sustainable development in London across the public, private and voluntary sectors".

A tender was organised and a consortium led by Forum for the Future won the contract to set up the organisation. The Trust organised all the consultations leading up to and following the commissioning of the feasibility study, organised

the tender process and worked with the contractor on the recruitment of the project's Director, the launch and promotion of the scheme. The cost of this commitment of time and effort is not known precisely but the Trust will provide over £1.65 million in start up grant aid over five years.

The Carnegie UK Trust
In 1913, Andrew Carnegie left a legacy of £2 million to create the Carnegie UK Trust with a mission to "improve the well-being of the masses". The Trust has always seen itself as both "a grant-maker and as a centre for policy analysis with a view to practical outcomes – whenever possible these two roles inter-relating and reinforcing each other".

Long term support is also a feature of the Trust's initiatives. Some of these are programmes that bear its name, such as the Carnegie Third Age Programme, launched in 1993 following the Trust's Inquiry into the Third Age and the current Carnegie Young People Initiative. Others have involved the Trust coordinating the setting up of independent charities (e.g. The Adapt Trust, which aims to breakdown the barriers to disabled people's enjoyment of the arts; the Voluntary Arts Network, 'the voice of voluntary arts in the UK'; or The Tomorrow Project, a programme of research and communication about people's lives in the next twenty years).

In all of these initiatives, the trustees and staff of the Trust invest a lot of time and sustained effort in initiating the work, building alliances with other funders, academics, policy makers and practitioners, setting up extensive consultation systems, creating an organisation, contributing to its intellectual and financial development and supporting the practical implementation of its findings.

The Carnegie UK Trust is by no means unique as a grant-making trust in having been an active investor in new organisations intended to carry forward its own priorities and aims.

The Housing Associations Charitable Trust (HACT), for example, was the co-founder with Shelter in 1985 of Care and Repair, the national network of local agencies providing housing repairs, adaptations and support to enable elderly people to stay living in their own homes; and in 1988, in partnership with the Town and Country Planning Association, HACT set up the Neighbourhood Initiatives Foundation to support local community groups to apply their own skills and talents to tackle the needs of their own neighbourhoods. In both cases, HACT nominated half of the trustees, was itself represented on the trustee board and provided revenue funding.

In 1990 HACT was also instrumental in developing and coordinating the alliance between the Housing Corporation, Comic Relief and black and ethnic minority and refugee housing organisations that led to the first national three year revenue funding programme for the then emerging black and ethnic minority housing association sector. HACT contributed some funds to this programme but its main investment was the time of the staff member who negotiated the funds, assessed the applications and worked with the beneficiary organisations to help them gain access to appropriate training and other resources.

World in Need (WIN)
WIN is another grant-maker that has attracted the labels of venture philanthropist or social investor. Its founder, Cecil Jackson-Cole, was born in 1901 and, by the middle years of the twentieth century, he had developed a network of companies whose profits he put towards fulfilling his deeply felt vocation to relieve human suffering around the world.

WIN provides not only seed corn and growth funding to help transform fledgling organisations into viable ventures but invests the time and business planning skills of its Director and Trustees in the management of the organisations. Oxfam, Help the Aged, Action Aid and the Opportunity Trust are just four of the better known charities that have been helped into being by the sustained funding and other support provided by Jackson-Cole and his colleagues.

Section 6:
Outcomes and the investor approach - other US experience

The debate in the USA about outcomes, impact, evaluation and the funder as an investor is considerably more advanced than in the UK – at least among charitable funders: a range of research institutes are active in this area; individual foundations have invested in research and in publishing accounts of the systems that they have developed; and a number of specialist networks have been created to share ideas and experience. The diversity of approaches is immense. The speed of development is also rapid.

As a report from the Independent Sector Measures Project (Outcome Measurement in Nonprofit Organisations: Current Practices and Recommendations, 2001) records:

"Nonprofit organizations are increasingly being pressed to measure and report their outcomes regularly to funders and other constituents. Service organizations are increasingly recognising that they need some form of regular feedback on their outcomes to help them improve their services. Most organizations performing outcome measurement are just beginning to become comfortable with it and to use the information to improve programs and support other activities such as marketing or fundraising".

The Independent Sector report adds a cautionary note:

"It will usually not be appropriate to conclude that an agency's program is fully responsible for the outcomes reported, whether the outcomes are good or bad, because many other factors usually contribute to service outcomes.

"Rather, outcome measurement enables program managers to have a running score of how their programs are doing and to identify areas where attention is needed. The extent to which the program has caused the outcomes can best be determined (if determined at all) by in-depth program evaluations. These evaluations, however, are generally expensive and will seldom be feasible for most service organizations, unless they are funded by an outside organization such as a government agency or a foundation".

Foundations

The experience and practice of the Edna McConnell Clark and Freddie Mac Foundations have already been referred to in Section 2. In this section, as examples of two different approaches, both of which raise relevant questions for how the Community Fund goes forward, I have selected two other examples of action by US foundations to address in depth how best to set outcomes and evaluate what is achieved and learnt.

The Mitsubishi Electric America (MEA) Foundation

The first is a new (1991), small (total endowment $19 million) and company linked foundation, the Mitsubishi Electric America (MEA) Foundation. The mission of the MEA Foundation is to work with Mitsubishi Electric employee volunteers across the country 'to contribute to a better world for us all by helping young people with disabilities, through technology, to maximize their potential and participation in society'.

In what the Foundation describes as a 'Road Map' to Creating and Sustaining Project Impact, evaluation is identified as a key concept:

"Grantmakers and grantseekers share a common interest in improving people's lives. Evaluation is closely associated with the change process since its purpose is to assess the degree to which a project can produce a desired change (eg a new way of providing services, improved learning by students, or new technologies for teaching). Evaluation is also the first step in ongoing improvement of a project and is vital for justifying why any initiative or effort should be continued.

"Evaluation requires that grantseekers convince potential sponsors that there is a 'value added' in what they are proposing to do. This means that project planners must explain (1) what the project is going to do that could not be done without the external funds, and (2) how the project adds value to solving the problem being addressed. Once a project is in operation, evaluation helps the project team answer many questions about the value added of the project".

MEA Foundation – types of evaluation
The Foundation also distinguishes between types of evaluation:

"Formative evaluation refers to evaluation activities that occur during planning and operation stages, or while the project is forming. Formative evaluation aids the ongoing development of the project and helps answer the questions: how well is the project planned, designed, and operating? Is it operating the way the planning team originally intended? Ongoing formative evaluation provides useful information to help make adjustments and improvements as the project is implemented.

"Summative evaluation refers to activities which provide summary information about the outcomes or results of the project after activities or services have been operating for some time. Summative evaluation allows the project team to answer such questions as: What can we now learn about our efforts? What changes are we seeing in the project participants, and how is the project benefiting the organization, partners or community? Summative evaluation involves judgements about the effectiveness and worth of the project activities (value added) in having an impact on the problems being addressed.

"Both formative and summative evaluation are needed for a thorough evaluation. Comprehensive evaluation involves answering questions in each of the major stages of project development — planning, operation, completion, and expansion".

MEA Foundation – outcomes
The 'road map' also defines outcomes as:

"one of three key categories of evaluation activity: inputs, processes and outcomes. Each category refers to different measures of a project's effectiveness and provides different ways to answer the questions: what is the project providing? how well is it doing so? and how is it benefiting the target population?

"Inputs refer to resources put into the planning of the project. Inputs include resources that are invested in or contributed to the project, such as staff, funds, equipment, transportation, consultation time, and space. Inputs can also include the design or structure of the project activities, the selection of students or

participants to be served, and the definition of services (intervention strategies) to be delivered.

"Evaluating processes means examining how the project is organized, managed, and staffed, and how services are delivered by the project during its operation. In conducting process evaluation, we want to know if the project is being operated in a manner that is consistent with its original intent, design and goals, and if it is reaching its target population. Process evaluation can also help to determine whether participants are receiving what they were intended to by the targeted delivery dates. Process evaluation typically includes measures or descriptions of services provided, principles that will guide service delivery, activities performed, staffing and administrative structure, policies and procedures for services, and changes in any of these activities over time. Process evaluation is an important part of a comprehensive evaluation of the value added of a project. It enables the project staff to monitor and examine performance, effort, and change in all aspects of project implementation.

"Outcomes refer to everything that project staff and funders hope to see happen as a result of the project. Outcome evaluation records the extent to which a project caused changes in a desired direction in the target population and in the cooperating organizations. In other words, a sound outcome evaluation demonstrates that changes or progress in participants can be directly linked to your program services or interventions. Also, through follow-up evaluation, you can demonstrate the lasting effects of your project upon participants after the project is completed. The important question for outcome evaluation is: Are participants and others really benefiting from the project in ways that can be measured? For example, are there improvements in the conditions, health, mobility or learning of the individuals being served?

MEA Foundation – outcome types
The Foundation argues that:

"Outcomes can be classified as either individual participant outcomes or project/organization-level outcomes. The measurement of a project's direct impact on participants is considered to be the most important measure of its effectiveness. Examples of participant outcomes include: changes in the participants' test scores, functional skills, communication skills, academic achievement, vocational/technical skills, attendance record, extracurricular activities, community service, jobs obtained, and post-secondary programs entered and completed.

"Some project activities affect the project as a whole in positive ways, producing project – or organizational-level – outcomes. A project-level outcome refers to a change or improvement in the way a service is delivered to individuals, or the service delivery system as a whole. Examples of project-level outcomes include: increased accessibility of a program or service, improvements in capacity to project future service needs, successful support services to help individuals obtain employment or education/training, increased service capacity, improved professional training, increased resources, and improved interagency coordination. Each project-level outcome is valuable because it directly or indirectly benefits the community".

MEA Foundation – evaluation objectives
The Foundation lists a number of evaluation objectives, some or all of which will be relevant to the appraisal of the work of any project:
• outcome evaluation: to define outcomes or results;
• outcome evaluation: to identify unanticipated results;
• process evaluation: to revaluate the project design;
• institutionalization: to develop resources for continuation of the project;
• input, process and outcome evaluation: to replicate the project;
• input, Process and Outcome Evaluation: to increase cost-effectiveness ;
• process Evaluation: to manage the budget and allocate resources;
• process Evaluation: to assess needs; and
• process Evaluation: to manage and monitor the implementation of the project.

The Foundation argues that:

"Evaluation is closely linked to the decision-making process because measuring value added is essential in making informed decisions about the future of a project. Evaluation is successful if the information generated becomes part of the project's decision-making process. One of the most important decisions that can be made about a project is whether it is actually adding value and justifying the resources being invested. How the project and its supporting community answer this question will influence the level of commitment of the funders to the project.

"This may sound obvious, yet millions of dollars in corporate and other philanthropic funds are spent each year on projects in the US, and there is very little direct evidence that information about project quality or results is requested or shared".

The W K Kellogg Foundation
The second US foundation to be considered in detail is one of the largest ($196m grants in 2000/1)) and longer established (1930) personally endowed foundations, the W K Kellogg Foundation. The Foundation has invested a lot of time in developing a system of evaluation to apply to the work that it supports. Like many others, it has abandoned reliance on traditional external and retrospective evaluation, preferring to look for ways of building in outcome setting, 'real-time' measurement, funder involvement and joint action to the evaluation activity.

W K Kellogg Foundation – evaluation principles
The Foundation has established the following principles to help guide evaluation work:
• strengthen projects: the goal is to improve the well-being of people;
• evaluation furthers this goal by providing ongoing, systematic information that strengthens projects during their life cycle, and, whenever possible, outcome data to assess the extent of change;
• the evaluation effort should leave an organization stronger and more able to use such an evaluation when outside support ends;
• use multiple approaches: the Foundation supports multidisciplinary approaches to problem solving;

- evaluation methods should include a range of techniques to address important project questions;
- design evaluation to address real issues: the Foundation believes that community-based organizations should ground their evaluations in the real issues of their respective communities. Therefore, evaluation efforts should also be community based and contextual (based on local circumstances and issues). The primary purpose is to identify problems and opportunities in the project's real communities, and to provide staff and stakeholders with reliable information from which to address problems and build on strengths and opportunities;
- create a participatory process: just as people participate in project activities, people must participate in project evaluation. The best evaluations value multiple perspectives and involve a representation of people who care about the project;
- effective evaluations also prepare organizations to use evaluation as an ongoing function of management and leadership;
- allow for flexibility in the way projects are designed, implemented, and modified. Many Kellogg Foundation-funded projects are not discrete programs, but complex, comprehensive efforts aimed at systemic community change. Therefore, evaluation approaches must not be rigid and prescriptive, or it will be difficult to document the incremental, complex, and often subtle changes that occur over the life of an initiative. Instead, evaluation plans should take an emergent approach, adapting and adjusting to the needs of an evolving and complex project; and

- build capacity: Evaluation should be concerned not only with specific outcomes, but also with the skills, knowledge, and perspectives acquired by the individuals who are involved with the project.

W K Kellogg Foundation – evaluation as part of project management
The foundation describes its approach to evaluation as being:

"rooted in the conviction that project evaluation and project management are inextricably linked. In fact, we believe that 'good evaluation' is nothing more than 'good thinking'. Effective evaluation is not an 'event' that occurs at the end of a project, but is an ongoing process which helps decision makers better understand the project; how it is impacting participants, partner agencies and the community; and how it is being influenced/impacted by both internal and external factors.

"Thinking of evaluation tools in this way allows you to collect and analyze important data for decision making throughout the life of a project: from assessing community needs prior to designing a project, to making connections between project activities and intended outcomes, to making mid-course changes in program design, to providing evidence to funders that yours is an effort worth supporting.

"We also believe that evaluation should not be conducted simply to prove that a project worked, but also to improve the way it works. Therefore, do not view evaluation only as an accountability measuring stick imposed on projects, but rather as a management and learning tool for projects, for the Foundation, and

for practitioners in the field who can benefit from the experiences of other projects".

W K Kellogg Foundation – three levels of evaluation
The foundation has also adopted an integrated approach of evaluation at three levels: the individual project; clusters of projects; programme and policy. In the Foundation's Evaluation Handbook, they suggest that:

"Taken together, the three evaluation levels provide multiperspective, multisource, multilevel data from which to strengthen and assess individual and groups of projects. The interaction of professionals that occurs across all three levels of evaluation encourages creative and innovative thinking about new ways to evaluate programs and deliver information, which we hope will ultimately lead to sustained positive change at the community level.

"At the same time, evaluation information from multiple levels, when examined in holistic ways, helps the Kellogg Foundation Board and staff members make effective and informed decisions regarding our programming and policy work".

W K Kellogg Foundation – evaluating more than outcomes
The Foundation argues that:

"All too often, conventional approaches to evaluation focus on examining only the outcomes or the impact of a project without examining the environment in which it operates or the processes involved in the project's development.

"Although we agree that assessing short- and long-term outcomes is important and necessary, such an exclusive focus on impacts leads us to overlook equally important aspects of evaluation-including more sophisticated understandings of how and why programs and services work, for whom they work, and in what circumstances.

"By combining context evaluation, implementation evaluation, and outcome evaluation, project staff will be able to address a broader array of important questions about the project. In our view, a good project evaluation should:
• examine how the project functions within the economic, social, and political environment of its community and project setting (context evaluation);
• help with the planning, setting up, and carrying out of a project, as well as the documentation of the evolution of a project (implementation evaluation); and
• assess the short and long term results of the project (outcome evaluation).

"Each of the evaluation components focuses on a different aspect of the project. Therefore, evaluation plans should include all three components. How much each component is emphasized, however, depends on the phase of project development, the purpose of the evaluation, and the questions you are attempting to address. Used together, these three components can improve project effectiveness and promote future sustainability and growth".

The Morino Institute – survey of 'High Energy' grant-making

As the two examples of US foundations illustrate, the notion of the funder as investor is familiar language within the USA – though the level, intensity and nature of the investment approach can be very varied, as in the UK. For the last three years, the Morino Institute has commissioned Community Wealth Ventures to survey a broad range of funds, foundations, and donors involved in what they call 'high-engagement grant-making'. The goals of this effort are:

- to provide a comprehensive listing of organisations that are involved in venture philanthropy and related forms of high-engagement grant-making in the United States;
- to provide a detailed profile of each fund to show the different approaches and techniques being used; and
- to create uniform and consistent data points for tracking and examining emerging trends in high-engagement grant-making.

Forty two detailed case studies are included in the 2002 survey (one is from the UK, World in Need to which reference has already been made in the Section 5 on UK grant-making). Most of the funds in the survey have been set up recently and, therefore, do not as yet have a lot of long term experience of philanthropic investment to report. One that does is the W K Kellogg Foundation described on the previous three pages. In their entry in the survey, the Foundation responded to the questions about lessons learned from adopting an investor approach as follows:

"1. don't "paint yourself into a corner" with the venture philanthropy rhetoric. Organized philanthropy is challenging, and while there is room for significant improvement, there are no 'magic bullets' (eg venture philanthropy) that will solve all the challenges;

"2. there is a valuable 'learning exchange' between mature and emerging (venture philanthropy) foundations and funding approaches. However, for that learning exchange to happen, all parties need to be mutually respectful and open to new ideas, experience-based knowledge, etc; and

"3. venture philanthropists will operate more effectively with a better and more disciplined base of knowledge about past organized philanthropic foundations and approaches. There is too much generalizing going on about 'mature foundations' practices, for example. Dig deeper and you will discover pockets of innovative practice in mature foundations that are quite similar to what venture philanthropy is articulating as good practice – it may just be 'labeled' something different".

Section seven
Introducing outcomes and the investor approach – issues for grant-makers

In adopting its new *Strategic plan*, the Community Fund is redefining what sort of grant-maker it intends to be. Given its remit, scale and values – and the level of public scrutiny to which it is subject – the Fund will always have a unique role among UK grant-makers. It is not a statutory commissioner or purchaser of contracted services; nor is it an independent endowed trust or foundation. It aims to 'help meet the needs of those at greatest disadvantage and also to improve the quality of life in the community'. Moreover, it seeks to promote equality and voluntary action and to act as a partner to the voluntary organisations it supports and with the wider voluntary sector through which it strives to reach and assist disadvantaged people. These are not straightforward aspirations.

In exploring how best to implement its commitment to 'funding long term change', the Community Fund will have to develop a unique approach to the setting, measuring and management of outcomes – no single 'off the shelf' prescription from another funder or supplier will be appropriate. Similarly, as the Fund works out what sort of 'investor' approach may be appropriate to help it implement its new strategy, it will need to try out a variety of options, testing each against the strategy's aspirations and values – and ensuring that the methods it decides to apply are, above all, to the advantage of 'those at greatest disadvantage'.

The questions presented in this section of the report are drawn from the experience in the UK and USA that has been described elsewhere in the report. The questions are intended to provide reference points for the Community Fund as it develops its own individual approach to emphasising outcomes and an investor style to its grant-making.

All but the last question relate to the introduction of an outcomes approach – exploratory work on which is already being undertaken within the Fund. The final question asks how far the Fund should venture into the investor role. To help grantee organisations integrate outcome setting and management into their work is one thing – unless it is done, and done comprehensively, it is unlikely that the Fund's wish to emphasise outcomes throughout its grant-making activities will be successful. To become directly involved in milestones verification and the provision of 'consultancy' type advice to grantees about how to address policy or operational choices would be a far more radical step; one which it may not be appropriate for the Fund to take.

Whose outcomes?

One of the key points made by grant-makers who have introduced an outcomes approach to their work is the importance of avoiding the methodology being perceived solely as a funder prescription, imposed on grantees as part of a new and increased form of compliance. Using the label 'outcome funding' and phrases such as 'what are we buying?' may encourage such a negative view. If outcomes management is actually good management practice, then funders should encourage grantees to adopt the approach 'as their own' – not as a tool kit designed primarily to serve the interests of the funder. This may seem self evident, but the Community Fund's new emphasis on outcomes will be being introduced to the voluntary sector after a decade or more of experience of and frustration with output driven funding regimes –

and by a major funder which has acquired a reputation (whether it is deserved or not is immaterial) for being 'tick box and line by line compliance' driven.

A key element within a comprehensively valued approach to outcome setting and management will be an acknowledgement in practice that the preferred outcomes of funder, grantee organisation and service user may not be the same; organisations supporting carers, for example, are very familiar with the tension that can exist between the immediate interests of a carer and the person for whom they are caring. To be effective, an outcomes system has to be able to work with such potential conflicts and to value all the interests and aspirations that will be present in a single project.

As is clear from several of the examples quoted in this report, it is possible to devise a variety of outcomes approaches, each appropriate to different types and sizes of individual grants, grantee organisations and grant programmes – and for these to be of value not only to the experience of the service user but also to the learning and development of funder and funded.

Where is the baseline?
To measure the achievement or otherwise of a specific outcome, an organisation needs to have comparative 'before and after' information. Once an effective outcomes approach is well established within the work of an organisation, it will have built up useful baseline information. At present, however, a minority of Community Fund applicants are likely to have such information – and if they have some it is likely to be primarily output focussed. In introducing an outcomes

approach, therefore, the Community Fund will have to consider how it can help applicant organisations establish (through the provision of feasibility or 'year zero' grants or consultancies) a starting baseline of information that is sufficiently accurate to make the subsequent progress reporting credible.

When to measure impact?
Project funding is time-limited; the Community Fund is seeking to support projects which are addressing long term and complex individual and community problems. It may not be possible to appraise the 'product' of a particular grant for many years after the grant period has ended. This is a familiar problem for organisations with experience of outcome setting and measurement and will have to be addressed from the start by the Community Fund. Frustrating though it may be that a clear 'impact' may not emerge for a long time after the grant investment has been spent, the Fund should avoid treating interim results or the partial achievement of a long term outcome as the final judgement of a project's efforts. In any help the Fund decides can be given to applicants when agreeing with them the outcomes which the grant is intended to help secure – and in the training of the Fund's staff and committees – attention will have to be focused on distinguishing between the identification of the long term changes that the project is aiming to work towards achieving and the 'milestones' that it is reasonable to expect to be passed during the life of the grant.

What about other variables?
The provision of a grant, however big, from the Community Fund is only one element in whether or not the aim of the funded work will be

achieved. Though this is another self-evident point, it is surprising how easy some funders (and some service providers) find it to claim that their grant achieved a particular outcome. Such claims of attribution are tempting – but of no value. As the discussions about evaluation elsewhere in this report indicate, the task of measuring the impact on a particular development of the many relevant internal and external variables is a complex one. An outcomes approach which does not start from an acknowledgement of that reality is bound to be flawed.

Moreover, any outcomes approach that the Community Fund chooses to adopt will have to allow for the formidable diversity, idiosyncrasy and 'messiness' of the voluntary sector. This is not a neat and tidy arena within which to mount a procurement or tendering like funding process. Standardised, linear or single dimensional outcome measurements will not fit – and an attempt to impose such a template would prove to be counterproductive and of no benefit to funder or funded.

What if a grantee has already got an outcomes format that works?
The move to give greater emphasis to setting, measuring and managing outcomes is not just coming from funders. Voluntary sector organisations have been introducing a range of quality assurance and measurement systems. Those that have successfully introduced evaluation and outcome assessment systems that they believe are appropriate for their particular circumstances, service user needs and reporting obligations will not thank a new funder which seeks to require them to adopt another, externally devised system. The Community Fund will have to

introduce their outcomes emphasis recognising that their aims may be met satisfactorily by a grantee organisation's existing systems. Those systems should be carefully scrutinised and tested, certainly, but if, with no or only minor adaptation, they meet most or all of the Fund's wishes, they should not be interfered with and the grantee should not be required to conform to yet another monitoring and verification system. The Fund should design its approach on the assumption that it will not be applied universally and should be sufficiently flexible to be able to incorporate reported information that has been produced to a different format.

How to engage with other funders?
Few of the organisations supported by the Community Fund are dependent only on the Fund for their financial resources. Multiple-source funding 'jig-saws' are the norm for all parts of the voluntary sector. Each funder will have their own reporting requirements – and, as many voluntary organisations often, and understandably complain – there is no history of cooperation between funders.

This problem has been addressed in the recently published Compact Code of Good Practice on Funding in which the Government has pledged to reduce duplication in monitoring and compliance requirements (and application procedures) where several statutory funders are supporting the same enterprise. It would clearly be sensible for the Community Fund to follow the Code's recommendation that funders should:

"take account of the monitoring procedures already agreed by the organisation's other funders and any quality assurance system

introduced by the organisation itself. This approach will help reduce the staff/volunteer time spent by the funded organisation in reporting in a number of different formats and should in turn reduce the associated costs".

If a grantee already has to report to multiple funders, the Community Fund could be a trail blazer if it worked with those funders to agree a single outcome monitoring system that will be of benefit to the funded organisation and will meet all the funders' needs.

Should the outcomes approach apply to all the Community Fund's grant-making?
Many of the staff of the Community Fund are currently involved in exploring through pilot projects a variety of aspects of the outcomes approach. It is likely that there will be more – or more easily introduced – opportunities for the approach to work well within some rather than all of the Fund's programmes. Nonetheless, a partial introduction of the approach seems an unwise tactic. The outputs and compliance culture is well embedded within the Fund; the outcomes approach cannot be a part time practice for people who spend other parts of their work within the traditional culture. In such a situation, the tendency for staff to 'default' back to outputs would be all too predictable. This is not only likely to be the case within funder organisations – it is also likely to be true of the staff of funded organisations.

The target for the implementation of the outcomes approach, therefore, should be to introduce it, deliberately and to a realistic, if not too long drawn out, time frame, throughout all of the Fund's grant programmes. The intensity and

nature of the approach will, of course, vary from programme to programme – but the shift from a system built round checking outputs to one that is focused on outcomes should eventually apply across all of the Fund's work.

The decision of the Community Fund to retain – alongside the new targeted strategic priorities – the role of a 'generalist grant-giver' that continues to fund projects that fall outside the target groups and areas may inhibit the successful adoption of the outcomes approach within the Fund. It is hard to see how such an open ended approach can sit comfortably for long within an organisation that, in all other aspects of its work, is moving towards becoming a more targeted pro-active and outcome focussed grant-maker.

Should the Community Fund venture further into the investor approach?
The introduction of an outcomes emphasis will certainly require the Fund's staff to invest time and skill in:
• producing new application forms, guidance and other information that are of exceptional clarity and quality;
• seeking out potential applicants;
• equipping applicant and grantee organisations to take on the approach with enthusiasm and confidence;
• ensuring that grantee organisations have acquired the expertise to make verification systems work effectively; and
• encouraging grantees to apply the lessons learnt to their future practice.

Investor or venture philanthropy approaches, however, rest on the assumption that the investor can supply skills, experience or connections in

addition to funds and a high quality of grant-making practice – that they should be a 'highly-engaged' funder. This could involve:
• becoming directly involved in providing advice on operational matters (not just 'sign-posting' organisations towards support agencies or sources of information);
• participating in milestone verification – and in decisions about actions that may be shown to be needed; and
• representing the grantee organisation's long term funding needs and prospects to other funders.

As several of the commentators quoted in other sections of this report have observed, it is not obvious that the staff of most grant-makers will have the skills or experience to be able to 'add value' beyond ensuring that the processing of the grant application, payment and management are done to the highest possible standard.

Furthermore, the more 'engaged' a funder becomes with the work of an organisation, the more care has to be taken to protect grants officers and other staff from potential conflicts of interest – especially if they also take part in assessment or evaluation.

Some grant programmes have narrow or specialist aims and the funders recruit staff or advisers to manage them who have appropriate specialist policy knowledge and practitioner skills. This specialist knowledge can be of significant value to applicant and grantee organisations. Although the Community Fund is adopting a more targeted approach within its new strategy, its chosen beneficiary groups are still very broad in the nature and range of their needs. Applicant

organisations are likely to be planning to carry out work across a very wide spectrum of activity. Even having adopted an outcomes emphasis, it seems likely, therefore, that the majority of the Fund's 'front line' staff will continue to have to be generalists rather than be in-depth specialists.

If the Community Fund is determined to be more than just an excellent grant-making practitioner, it will need in advance to define very clearly what added value it thinks it can provide and to be sure that its own staff have the necessary expertise and competence. It will also have to satisfy itself that its grantees would welcome such additional assistance.

Implementing an outcomes emphasis that is of high quality, consistently applied across the Fund's work and the results of which are widely disseminated will be a formidable undertaking for the Fund. I have not found convincing evidence or argument that there is a case for the Fund to adopt an investor approach that goes beyond the determined and comprehensive introduction of outcome setting and measurement systems within its own operations and the work of the organisations that it funds.

Section eight
Introducing outcomes and the investor approach - practical challenges

As many of the grant-makers quoted in this report have indicated, there are a host of practical challenges that have to be addressed if a grant-making organisation is to become effectively outcome focussed and more highly engaged with the work that it is funding. Not the least of these are the output fixated institutionalised cultures within both funder and funded organisations.

In this section, six of these challenges are highlighted and commented on. All have budgetary implications.

To communicate the vision
The grant-making arena has an extensive jargon; the investor world an even larger one. Grant-maker and grant recipient transactions and relationships can be confused and confusing – clarity of mutual expectations and obligations is crucial. This also sets a high price on ensuring that the vocabulary of the relationship is crystal clear and definitions are shared and jointly understood. This is not just semantic courtesy – the funding relationship is a powerful one and all grant-makers should strive to ensure that no grantee suffers because a funder uses language imprecisely or different people within a funding organisation define the same word or phrase in different ways. If its new strategy is to be introduced successfully, the Community Fund will need to ensure that the terminology it uses to explain its new emphasis on outcomes is very clear, distinct and universally applied by all of its staff and committee members.

It will be important for the successful implementation of the Fund's new strategy that:
• the dual benefits of the outcomes approach are clear to the funded organisations from the start

– contributing to their own learning and the development of their work while also helping them to meet accountability obligations; and
• the outcomes framework is sufficiently sophisticated to allow for the distinctive (and not necessarily complementary) interests of the Fund, the grantee organisation and the service users.

At the same time, however, the Fund will need to ensure that its approach to outcome setting, measurement and verification is as minimalist as possible – there would be no point in establishing a complex and data-greedy system with cumbersome verification processes and burdensome reporting requirements. The Fund would gain little other than a responsibility to maintain yet another data cemetery – it would be unlikely to have the capacity to make purposeful use of the material provided by grantees; and the grantees will resent the system and gain no value from it. Parsimony in data requirements should be the standard criteria to apply.

To gear up the applicants
Though the quality and clarity of written information, application form and guidelines will be of critical importance to the successful communication to applicant organisations of the Fund's new way of working, the quality of the communication skills of the Fund's staff (and of any consultants or trainers that may also be deployed) and the consistency of the message will be the key drivers for ensuring that applicants get to grips with the practical consequences of the emphasis on outcomes. Their response to a more pro-active 'investor' style way of working will also be determined largely by how well the staff

of the Fund communicate what it is intended to involve.

The Fund has a highly commended reputation for supporting emerging organisations and innovative initiatives. When introducing an outcomes approach, care will be needed to ensure the Fund's systems do not emphasise the track record of the applicant organisation or the people within it – the 'established players' – at the expense of 'new players;' application assessment criteria and systems should be risk alert, not risk averse.

A substantial investment in the gearing up process seems to be a very important ingredient in establishing a sustainable outcomes system. Through seminars, telephone advice, videos, the website electronic 'help' facility and face-to-face individual contact the outcomes approach will have to be enthusiastically and energetically 'sold' throughout the applicant sector.

The benefits to the applicant organisations and their service users must be at the heart of any such marketing. For the system to be introduced effectively, applicant organisations have to be confident not only in the value of the methodology to the quality of their work but also in their ability to draw up feasible outcomes, measure and verify them, learn from that verification and to 'come clean' with funders when the lessons learnt indicate that a change of project direction (or of outcomes) is needed.

This is not just an implementation issue. Gearing up will have to become a continuing, mainstream part of the Fund's work – to assist new applicants and also to ensure that the inevitable turn-over of staff, volunteers and trustees of grantee organisations does not lead to a dilution in the status of outcome management.

To equip the staff
The staff (and committee members) of the Community Fund will have to be thoroughly trained – and their skills and confidence subsequently refreshed as the work progresses. During the information gathering stage of this project, I was told on several occasions that the dominant culture within the Community Fund has been one of process and compliance. Such a culture will need to be changed if the new emphasis on outcomes is to be successfully introduced. This is not to suggest that the skills used to administer high quality compliance and similar monitoring systems will be redundant – far from it, as compliance will always have a key part in any funding system; it is the way such systems are applied that needs to change. One example: line by line project budgets are a feature of Community Fund life at present; they can be a useful tool at the time of an application for checking that an applicant organisation has basic financial skills and has fully thought through the financial costs and risks of the enterprise; but line by line checking, many months later, to see if expenditure has exactly followed the original budget is a high cost and largely unproductive way of assessing how a project is proceeding financially. New approaches to compliance would be more concerned with the overall financial progress of the scheme than with the minute detail – and the accountability of the grantee to the Fund would probably be the better for that more sensitive and open approach.

Challenging though it will be for the Fund to adopt throughout all its operations a new style of approach to its applicants and grantees, I was immensely impressed by the enthusiasm and interest in making these changes among the Fund staff that I met. I was certainly encouraged to believe that radical change could be achieved in a relatively short time, given well focussed implementation plans and determined leadership. Much preparatory thinking and work has already gone on. Current work on outcome setting related to the new target groups and redefined corporate cross-cutting values, demonstrate that the Fund already has within its own resources a considerable amount of directly relevant skills and knowledge. Moreover, several of the development initiatives taken at regional level in recent years will also be of immediate relevance to the development of a new and more engaged relationship between the Fund's staff and the applicant sector.

To justify the cost effectiveness
I have not been able to obtain any financial information that would help the Fund to budget with confidence for making the changes that are proposed in the new strategy. Comparisons with other funders are inevitably difficult as their aims, status and scale are so different. Every indication, however, is that the changes, once implemented, would be more costly in Fund staff time than the present regime – but such extra costs could well be more than justified by the quality of the 'returns' that the Fund and the grantee organisations derive and the improvements to the 'human gain' among service users of funded organisations:
• it is clear from the experience of other grant-makers that the initial costs of establishing

outcomes as a core methodological tool within a grant-making organisation and with potential applicants is considerable – and too easily done 'on the cheap', almost certainly to the long term detriment of all involved; and that staff and committee turnover within both funder and funded organisations means that many of these costs are recurring ones;
• it is probable that the assessment process will cost no more than the traditional eligibility and activity related scoring process – and the experience of TRI indicates that there could be savings, especially if the decision making process is streamlined and delegated as far as is possible;
• the cost of helping applicants establish credible outcomes and of assisting grantees learn how to verify milestones and apply the lessons learnt is also a continuing cost and likely to be well in excess of any development and grant management type costs currently being incurred (though there may be some savings on some aspects of the present compliance regime, my judgement would be that these may not be significant overall); and
• the maintenance of a generalist grant-making function is likely to add disproportionately to the overall cost of implementing the new strategy – systems will have to be retained to deal with a potentially very broad range of applications, albeit probably a very small proportion of the grants actually made by the Fund.

The other grant-making organisations that I consulted which have developed some form of an investor role have grantee organisation:grants officer ratios that are much lower than those currently operating within the Community Fund. 30:1 was the ratio for several of the other funders

(and one of those only considered that ratio was feasible because the applications processing and grant management functions never coincided). The ratio within the Community Fund was reported to me as about 70:1.

A further cost to be considered is that incurred by the grantee organisation. Voluntary organisations have argued for many years that too much of their already under resourced staff time has to be spent on meeting compliance and monitoring requirements – costs which they have not been allowed to include in the original grant application. The Compact Code on Funding states that funders should "recognise the cost of monitoring and evaluation which should be included within the grant". The Community Fund should ensure that it does build into its grant-making the costs that voluntary organisations will incur in establishing outcomes and carrying out verifications.

To implement the right IT solutions
It will be important that the Community Fund's IT systems support whatever form of outcomes setting and verification is adopted – at both individual project and whole programme tracking levels. Otherwise, it is probable that it will be very difficult for the Fund to organise the data and feedback provided by applicants and grantees, which would undermine critically the whole 'learning' purpose of the exercise.

It also seems to me that the Fund will be obliged to develop templates and other IT aids to enable grantees to ease the implementation of outcome setting, measurement and verification methodologies – both to help the grantees get most value for their own use from the approach

and to ensure that the Fund gets feedback and reports in formats that can be used productively and at minimal administrative cost.

The Community Fund website could also become a vital part of the outcomes approach – providing the means to publicise and share lessons learnt and to promote lateral connections between grantee organisations.

I have not studied the IT requirements or adequacy of existing provision as part of this project – a necessary ingredient, I suggest, of any pilots that are to be undertaken during 2002.

To promote the lessons learnt
An outcomes approach should not only lead to the funded organisation (and its users) being better able to learn from the progress of its work and apply the lessons gained to its future practice. It should also enable the funder to report more fully and effectively (to itself and to its own stakeholders) and to promulgate lessons learnt about what works, what doesn't and why. This 'return' on the investment creates an information resource of considerable potential value – to the funder and to the wider policy and practitioner sectors.

The investment in the outcomes approach creates, I suggest, an obligation on the funder to make as full use as possible of the lessons learnt – from the experience of individual projects and of clusters of projects and of whole grant programmes.

To do this well is likely to involve the Community Fund in new investment in communications and in setting up meetings with and of grantees –

across programmes and countries as well as within each. This would be an investment which would contribute to the Fund's efforts to be a 'learning' organisation and to celebrate and pass on the achievements of the work it has supported.

Implementation – some final recommendations

The discussions that I have had within the Community Fund suggest to me that the following actions could also be of value in the successful implementation of the Fund's new strategic determination to emphasise outcomes and to make long term changes though its grant-making:

Set up a special cadre

A task group of staff from across the Fund should be charged with steering through the development of the outcomes and investor approaches. I suggest that this group has among its membership some of the staff who have been at the heart of the 'process and compliance driven' operations of the Fund – so that the content and implementation of the new systems can be tested directly against their experience.

Draw on wide experience

The report has shown, I hope, that there is now a great diversity – and considerable depth – of experience within the UK and the USA of introducing an outcomes emphasis to a grant-maker's ways of working.

The Community Fund is of a stature, size and importance within the UK funding sector that I would anticipate that it would want to draw on as wide as possible a range of experience and skills

in setting out to implement this new way of working. One way to do so – within a very firmly stated and explicitly defined core plan would be to invite bids from appropriate consultants and trainers to support the development of the various pilots that are being (or may be) undertaken as part of the implementation of the new strategy. By so doing, the Fund would gain access to – and be able to test out – a variety of outcomes expertise and knowledge.

Engage external support

I also think that the Community Fund might benefit during the initial development and implementation of its outcomes approach from setting up an external expert reference group which brings together people with experience and knowledge of different approaches to outcome setting and measurement, to evaluation and to 'engaged' grant-making. Such a group would provide the Fund with a sounding board to report to on interim progress, to share problems and lessons that were being learnt, and to involve in debate about future initiatives. It could also provide a reference point for the consideration of proposals from the Fund to promote the achievements and lessons learnt to a wider audience of policy makers, funders, user groups and practitioners – reinforcing the potential of the Fund to inform and influence the policy arena and the work of others.

The group could involve grantees as well as funders from different sectors. Its membership could also include people with relevant expertise from the USA and elsewhere in Europe. I believe that it would be a positive reinforcement to the professional status and quality of this group if the Community Fund provided some remuneration for

participants (or their employing organisations).

Delegate decision making authority

It seems to me that one essential component of adopting an investor type approach is the necessity to delegate as much decision making to the 'lowest' (i.e. nearest to the applicant/grantee) point as is possible within the Fund, subject to unavoidable audit and other constraints. This would apply to decisions about:
• the eligibility of new applications;
• some aspects of the quality of eligible ones;
• some grant-making decisions, especially relating to preliminary, gearing up, capacity building or feasibility grants; and
• most variance requests and changes resulting from the results of milestone verification.

If the standard rule for establishing authority for decision-making is that there will always be maximum delegation, the key test becomes to check if there is any absolute reason requiring it to be taken at a 'higher' level. The additional responsibility this would place on grants officers and other staff would reinforce the investor 'brand' and the mutual obligations that are involved.

Build on existing skills and knowledge

The Community Fund has already begun to develop its approach to the role of being an investor:
• the Fund's Investor Working Group has identified ways of changing, adapting or adding to pre-application, application assessment and post-application stages so as to incorporate outcomes thinking;
• application forms and guidance have also been revised (though more changes are probably needed if some of the communication problems referred to earlier are to be avoided)
• a number of pilot projects in various parts of the UK have been initiated – or are planned – which will test out in practice various ways of implementing the new emphasis on outcomes and exploring the extent of the investor role which may be appropriate for the Fund
• extensive work has been undertaken to develop outcome frameworks which could not only apply to projects working with the new target beneficiary groups but also enable the Fund to track at project level across different grant programmes the ways the various cross-cutting themes and generic values in the *Strategic plan* are being addressed.

This range of activities demonstrates not only that the Community Fund is already moving constructively and coherently to implement the new strategic imperatives but also confirms my impression that there already exists among the staff of the Fund a rich resource of relevant knowledge and skill – and an enthusiasm to develop the work of the Fund along these lines. That is a resource which can be built on further.

David Carrington — Biography

David Carrington
Consultant
David has been an independent consultant since the end of 2001; his clients have included the Development Trusts Association, the Community Fund and the Home Office's Active Communities Unit. He advises the Gatsby Foundation on social renewal and has also helped several trusts and foundations with policy and governance reviews. His other recent work, articles and lectures have covered social investment, venture philanthropy, programme related investment and the use of charitable funds in community regeneration and enterprise development. He has been Chief Executive of three grant making charities — PPP Healthcare Medical Trust (1998-2001), The Baring Foundation (1992-8) and the Housing Associations Charitable Trust — HACT (1988-1991). He is a Board Member of the New Opportunities Fund, a Governor of South Bank University, and a Trustee of the Media Trust and of The National Youth Orchestra of Great Britain.

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