

## The GuideStar Proposition

GuideStar International (GSI), a charity registered in the United Kingdom, seeks to illuminate the work of the world's civil society organisations (CSOs). Our work is premised on the belief that every national society gains from a diverse population of innovative, energetic, well-resourced and responsive CSOs. We further believe that transparency achieved through the provision of clear and thorough reports about each CSO at a public website is vital to ensure the strength and success of each civil society and its organisations. These convictions form the basis for, and heart of, the GuideStar proposition.

This paper provides a detailed explanation of this proposition. It presents GSI's view of the role CSOs play in building strong, vibrant societies. It describes how the dearth of information about the work of these organisations leads to mistrust and poor resource allocation just as it limits the ability of well-meaning people around the world to engage closely with and support citizen initiatives that pursue causes and redress problems and issues that concern us deeply as human beings. It argues that accurate, accessible and pervasive reporting by CSOs will contribute greatly to the success of these organisations and their work. Finally, it promotes the development and implementation of online CSO reporting venues – GuideStar services – that use a shared technology platform and a common reporting template.

### Civil Society Organisations are Critical Actors in Society

Civil society's role in assuring development progress and well governed and vibrant societies is widely documented and broadly accepted. A strong civil society not only provides venues for direct citizen oversight of government practices, it also ensures an enduring counterweight – the alternative capacity to deliver services, protect human rights, preserve the environment, provide educational alternatives, develop policy and conduct research. In a fundamental way, robust civil society establishes a sustainable competitive context that is essential in keeping government and business institutions honest and responsive. CSOs are closely connected to the grass roots, more flexible than government and more socially inclined than business. The relative strength of these private social initiatives is indicative, if not essentially determinative, of a country's quality of life and the quality of its governance.

Transparency and access to information are preconditions for the continued growth and health of civil society. Without information about the activities, accomplishments and finances of CSOs, those that seek to support them are flying blind, unable to allocate resources effectively. And those that seek to minimise the role of these organisations make claims that cannot be disproved. Without information, the critical work of CSOs will be undermined through lack of trust, ineffective resource allocation and, at times, disappointment in their ability to deliver.

### Increasing Demands for Transparency and Accountability

Due to the increasing recognition of their central role in society, CSOs have become much more visible at all levels of decision-making. At the same time, they have become more directly challenging to governments; contesting global rules of trade and decision-making and promoting development policies to take account of the world's poorest people, for example. However, this prominence has led inevitably to questions about their legitimacy, effectiveness and accountability. Increasingly some governments, wary of the political influence of CSOs, seek to disable them by tightening regulation or by imposing even more draconian controls. Media's simplistic response doesn't help matters as the donor public is bombarded by stories of CSOs' abuse or ineffective use of funds.



Given these threats, CSOs are understandably eager to address these concerns and define solutions before they are imposed upon them by government or the media. Proponents have advanced a host of self-regulatory mechanisms to equip CSOs to account for their actions and help secure and expand the space in which they operate. Accountability, per se, is still not collectively understood. To whom and to what end should CSOs be accountable. To which stakeholders make different and competing reporting demands should CSOs respond. These demands place an increasing burden on CSOs, especially the smaller ones.

Yet despite the uncontested importance of civil society and the unmistakable need for information about the work of CSOs, funding for infrastructure initiatives is inadequate, ephemeral and, in the case of private funders, actually declining precipitously. And with this decline, the ability of organisations to demonstrate their legitimacy and effectiveness is further compromised. While the United States and United Kingdom are further along the road, no country yet benefits fully from a highly functioning, information-rich civil society marketplace. Instead, to one extent or another, a cacophony of inefficiencies, suspicions, scarce resources, unequal access and lost opportunities characterizes civil society marketplaces in every country. We all lose as a result.

### **Information to Drive the 'Civil Society Marketplace'**

Unlike all other transactions in our social economy, philanthropy is a confusing mish-mash of one way streets, which CSOs traverse alone, expending all the energy and resources to convince a donor to make a donation.

### **Some of the outcomes of this one-way street are that:**

- × Donors are typically uninformed, unmotivated and expensive to convince;
- × Professional grantmakers do not have the information or perspective to allocate resources optimally;
- × Donations typically go to the largest and most clever marketers not the most effective or small actors;
- × The absence of transparency makes it impossible for the sector or its regulators to ensure integrity and public confidence – one Enron-like event could colour the public perception of civil society for years;
- × Duplications of effort are rife and CSOs lack the information and incentive to collaborate;
- × Users of information—funders, researchers, governments and intermediaries all ask CSOs for unique reports generating substantial but ultimately unsatisfying and costly flows of information and costly demands on CSO staff; and
- × Evaluation is simplistic, typically focusing on the “low hanging fruit” of misleading financial ratios.

**In recent years awareness of the issues, inefficiencies and abuses of CSOs have become top of mind among institutional grantmakers, government regulators and media and, in some countries, the public generally. In one form or another, leaders in every country are wrestling with the following questions:**

- ? How can we ensure the integrity of civil society i.e., that CSOs are operating legally, faithfully with respect to promises made to their donors, and in the public interest?
- ? How can we identify the best CSOs to carry on work that we believe is vital for our society?
- ? How can we get civil society—or more specifically private philanthropy—to do more of society’s work?
- ? How can the operations of CSO be made more effective, less duplicative, with better outcomes?

**And leaders in some countries, perhaps the more enlightened ones, are asking:**

- ? How can we encourage development of more competent and resourceful CSOs to empower our citizenry and undergird a more vibrant democracy?

## **Meanwhile, the same leaders are aware of undeniable trends:**

- The growth in philanthropic capacity, to some extent in virtually every country, and in demand for CSO services.
- The limitations of government – both with respect to public finances and government’s capacity for innovation and responsiveness to evolving societal needs.
- The increasingly international “investor” consciousness – the demand for good management and results – by those who donate money to “charity.”
- General public mistrust of and demand for transparency in its institutions both public and private
- Globalisation generally.

## **A Clear Need for CSO Reporting**

At GuideStar International we believe that a culture of consistent, accessible and increasingly competent reporting by CSOs is the fundamental remedy for an underperforming civil society. Indeed, it is also the prerequisite for optimal social progress and sustainable global philanthropy. More specifically, with such readily available information about the work of CSOs, we envision a future in which:

## **Civil society achieves its potential as an incubator, an agent of change, a provider of critical services, an instrument of individual expression and creativity, and the foundation of a robust democratic society.**

- ✓ Reporting by CSOs becomes more lucid, consistent and integrated with each CSO’s operations, driving better outcomes
- ✓ Evaluation of the work of CSOs becomes more fair, rational and useful. Rather than judge organisations by the “efficiencies” suggested by simple financial ratios, CSOs are judged by:
  - The relevance of their programs vis a vis societal needs and values;
  - The relative quality and effectiveness of their programs; and
  - Their ability to reach objectives given experience and available resources
- ✓ A more level playing field for CSOs emerges with smaller less powerful organisations competing more effectively for public attention with larger more powerful organisations.

## **Global philanthropic and government resources are allocated where they can do the most good, irrespective of national borders**

- ✓ The full range of civil society market-makers – practitioners, trustees, donors, other resource providers, analysts, intermediaries and regulators take their respective market-roles very seriously now that they are able to conduct their work and make their decisions with the benefit of comprehensive information about CSOs
- ✓ Instead of making low-conviction contributions in response to funding requests, donors and grant-makers are social investors—proactively identifying, comparing, gaining confidence in and giving more generously to CSOs, whose work resonates with their own articulated values;
- ✓ Oversight agencies access previously unavailable data to further their legal/ fiduciary objectives and, perhaps, pre-empt more intrusive regulatory strategies

## **Society achieves a far more effective and generous allocation of its resources**

- ✓ The cost of generating resources for CSOs diminishes as donors are empowered to behave more

- proactively in their philanthropy; and
- ✓ Researchers and policy makers map CSO activity and thereby gain a greater understanding of the actual work, opportunities and needs of their civil societies

## The GuideStar Proposition

GSI envisions a robust civil society of the future that is in fact a vibrant marketplace where resource providers, policy researchers and regulators respond to and support innovative, high-performing initiatives that attend directly to society's needs and opportunities.

To achieve this vision, GSI is building a global network of national websites which assemble and display detailed reports on each countries' CSOs.

Through these national GuideStars CSOs can explain their aims, activities, accomplishments, structure and finances. By making the work of CSOs transparent, over time, these national GuideStar systems:

- make CSOs more visible, accountable and effective;
- enable more confident and effective philanthropy; and
- promote vibrant and well governed civil societies

*This robust civil society of the future is in fact a vibrant marketplace where resource providers, policy researchers and regulators respond to and support innovative, high-performing initiatives that attend directly to society's needs and opportunities.*

In helping to build a national GuideStar, GSI works most closely with leading CSOs, government agencies and philanthropists to develop an indigenously managed, governed and owned information service, tailored to the requirements of that country. The national GuideStar service offers a common, open and free information environment to satisfy the various demands of donors, regulators and intermediaries for information. This feature streamlines both the information acquisition requirements of these users as well as the information provision requirements of CSOs. Further, having the information in one place enables the work of new intermediaries —e.g., evaluators, accreditation agencies, researchers, CSO associations, online philanthropy services, specialised grantmakers—who will make the information increasingly useful and transactions more efficient for critical audiences.

For its part, by providing a common technology platform and technology and knowhow support, GSI radically lowers the cost of starting and operating a national GuideStar and will permit convenient cross border access to reports resident at each affiliate national GuideStars from a central GuideStar Global search page.

## GuideStar Reporting Principles

In order to establish this robust foundation of information for civil society – one that can truly achieve the ambitious vision we've set forth, we must make sure that the elements for CSO reporting are respectful of the legitimate information requirements of those who allocate resources, those who research civil society and inform national policy, and those who endeavour to ensure the fiduciary integrity of civil society and CSOs.

But even more fundamentally it is critical for the success of individual CSOs, and indeed civil society generally within countries and across borders, that any reporting and information system be respectful of the disparate conditions facing CSOs, and the need of such reports to promote increasingly better operations and outcomes for CSOs.

**In that spirit, the reporting framework that we promote upholds the following:**

1. **Self-generated information:** All reports must be generated by the management of the CSO or their agents.
2. **Non-evaluative:** Information in the reports will not be verified, certified or evaluated by GuideStar

services personnel.

3. **Performance-based:** Reporting should be performance-based, focusing on the CSO's direction and ability to meet its objectives as opposed to either merely a report of the past or a simplistic review of financial data..
4. **Consistent across the world:** The reporting frameworks should be as consistent as possible.
5. **Good practice reinforcing:** Reports should promote and support best internal planning, management, reporting and learning practices for CSOs.
6. **Immediately useful:** Reports should be useful immediately for CSO staff, trustees and critical audiences.
7. **Flexible and inclusive:** The reporting framework should be sufficiently flexible to attract useful information from the most and least experienced CSOs. Only answers to critical questions should be mandatory for a CSO to attain "participant" status, which gives it a priority in search results.
8. **Straightforward:** It must be simple and straightforward enough that it will attract not deter the provision of information.
9. **Enable streamlining of CSO reporting requirements to all audiences:** Well completed reports should satisfy the information needs of moderately demanding private institutional grantmakers and government agencies as well as the general public, and thereby able to substantial streamline CSO reporting requirements.
10. **Comprehensive:** Provide opportunities for organizations to enter information to communicate or document all facets of their work they think are pertinent for their audiences. Provide a free, de facto web site for small or under-resourced organizations that have no other web alternatives.

Ideally, those who require information about the work of CSO's to conduct their work – the resource allocators, the policy researchers and the regulators—will recognise the wisdom of a common reporting ethos that incorporates these values and thereby reinforce the quality, quantity and integrity of that reporting by CSOs in their countries at the same time they gain access to information about the real work of CSOs—information that is ultimately more truly relevant for their own purposes.

If such reports are properly generated by a large number of CSOs in each country, if these common reports satisfy the basic respective needs of all information providers, and if they are made available to everyone online, then we will have achieved a proper foundation to support a true, far more effective and efficient marketplace for civil society in one central open system