

DEVELOPMENT ASSESSMENT REPORT
Center for Economic and Social Rights (CESR)
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Particulars. I visited CESR's offices on December 9, 2019 and spent the day gathering baseline information on the organization's programs, finances, and fundraising in discussions with Executive Director Ignacio Saiz, Operations Manager Rebecca Berger, and (via Skype) Director of the Rights Claiming and Accountability Program Allison Corkery.

Background. CESR recently marked its 25th anniversary. Its budget for FY20 is \$1.3 million, a slight increase over the prior year's budget of \$1.23 million. It has already secured 87 percent of its funding for FY2020 and has high confidence in raising the remaining \$169,000 needed to meet its revenue targets.

The organization has enjoyed steady, incremental growth over the last several years, but is heavily reliant on a short list of institutional funders. In FY2019 they consisted of three private foundations (Ford, OSF, and Wellspring), constituting 82 percent of CESR's income; one government (Finland), constituting 4 percent; and two large INGOs (Oxfam and Christian Aid), constituting 14 percent. In FY2020, Wellspring's contribution alone will be equal to 40 percent of the CESR's income. Efforts in recent years to diversify the funding base have encountered a number of challenges, such as an increased pull towards project-based funding, and the tendency for CESR's cross-disciplinary work to fall between funder silos (eg human rights v. development v. economic justice).

Financial management over the years has been cautious and prudent, with 2017 representing the only stumble, when expected grants from the Swedish and Finnish Foreign Ministries failed to materialize. This necessitated dipping into the reserves for \$200+K to make the budget for the year.

CESR is in the process of formulating a new organizational strategy for 2020 - 2022, the budget implications for which are yet to be known. The fundraising function is currently shared between Ignacio and Rebecca (and was shouldered in the past by the Deputy Executive Director, who is no longer with the organization). In anticipation of the new strategy, and a likely need for new investments to be made in organizational capacity, CESR is committed to further strengthening its fundraising, with a view to diversifying and growing its base of support.

- 1. Telling your story: How strong is the case for support? (quality of written fundraising materials in terms of clarity of: goals, priorities, niche, problem/need, track record, unique value proposition, etc.) (see also attached "Making the Case" and "Standard Proposal Format" as references).**

Hit and miss.

All successful fundraising begins with a compelling explanation not only of an organization's mission, activities and methods, but equally important, its rationale for existence -- in other

words *why* its priorities are what they are and *why* a funder should have faith that the organization can deliver on its mission and mandate. The rationale is comprised of several elements, starting with: the problem or need the organization is mandated to address, the expertise and talent it brings to the table, the value it adds to the larger field of which it is a part, the specific intended impact of the work, the activities it will undertake to achieve those ends, its priorities, their urgency, and the organization's track record of accomplishment. And these elements need to hang together in a coherent whole.

Much of CESR's work focuses on using ESC rights to change fiscal policy in order to stem rising levels of inequality around the world. It is inherently technical in nature, and therefore requires considerable thought to translate into terms more accessible and relatable to a wider audience, starting with new prospective institutional funders.

The materials I reviewed (recent proposal to Wellspring, an interim report to OSF, the 2018 Annual Report, the 25th Anniversary Brochure, and the website) communicate some aspects of the case clearly and others less well.

In various documents, CESR does a good job of spelling out its **track record** (achievements). Here's a good example from the OSF report:

CESR continued to play a unique role in bringing a human rights perspective to international efforts to reform the global rules of corporate taxation. In late 2018, CESR was appointed to the Steering Coalition of the Independent Commission for the Reform of International Corporate Taxation ([ICRICT](#)), made up of eminent figures such as Joseph Stiglitz, Thomas Piketty and Jayati Ghosh. CESR is the only human rights organization to sit on the [steering committee](#) along with leading development and tax justice groups such as Oxfam and Tax Justice Network. As an example of its added value, CESR provided a human rights grounding for ICRICT's call for a minimum effective corporate tax rate and unitary taxation by multinationals, substantiating these arguments in a joint [submission](#) to the OECD consultation on tax and digitalization, along with CESR's partners in the Latin America principles and guidelines initiative.

CESR is now in the process of developing a new 3-year strategy. As it does so and begins to translate those aspirations into descriptions for funder audiences, it is important for staff to become conversant with the elements of the case for support and how to structure the most compelling argument for support in a proposal (see "Making the Case" and "Standard Proposal Format" attached at the end of this report). Specifically, CESR should attend to the following areas:

The materials are inconsistent in clarifying whether the **core problem** CESR is concerned with is poverty/inequality or denial of ESC rights. It's important to distinguish which is in service of the other, both to clarify the problem CESR is focused on, and the solutions it proposes (not to mention how it describes its successes).

Many, though not all, materials rely on **insider jargon and overly general concepts**, e.g. "rights-based fiscal policymaking," or "sustainable development alternatives," that (while familiar to current funders who are already "bought in") would be opaque to even well-informed and interested lay readers. Related to this, there are many assertions or references that beg questions. For instance, a reference to "shared structural roots," begs the question, Which

ones? Where? Ditto “developing normative guidance on how to safeguard human rights in fiscal policy.” Which human rights? Which fiscal policies? Where? To what end?

At the end of the day, all philanthropic causes are about improving people’s lot. This means ensuring that descriptions of the work have a **human face**. Even though much of CESR’s work is focused on policy change, CESR needs to find ways to better connect the dots between its priorities and how they ultimately impact people’s wellbeing.

Priorities - clarifying which among the themes, geographic regions, projects, activities, and offerings are most critical to reaching your priority objectives. I had a hard time determining what was most important among CESR’s geographic foci in particular. As Ignacio later pointed out, many of the geographic choices were driven by funding or demand from national partners rather than strategic considerations. While funding and partner demand are motivations that should certainly factor in to country priorities, CESR should be more deliberate about describing those choices in strategic terms where possible, and even designating other countries/ regions as strategically important (e.g. where your programs are most needed and/or likely to achieve the greatest impact). This would then position CESR to carry out the prospect research needed to determine if funding for strategically important locations is available.

Overall, the descriptions toggle between granular and very high level. I had difficulty **connecting the dots** — understanding what relates to what — to arrive at a compelling big picture view of the work — in other words, how the problem you are tackling relates to the proposed solutions, strategies, activities and impact on people. This picture came into clearer focus in discussion with Ignacio and Rebecca about the prior 3-year strategy just ending. Based on that, here is my takeaway of how and why CESR does the work it does, and how the various aspects of its work relate one to the other.

CESR believes that by advancing human rights as guiding principles of economic, social and development policy, the woefully unequal distribution of wealth, health, education, and opportunity — leaving millions in misery around the world — can be stemmed

CESR’s mission is to fight poverty and rising inequality. It does this by working to stop two of the most consequential drivers of inequality around the world:

1. The use of austerity measures (when governments make draconian cuts to their spending especially in the area of social services and supports) by individual governments and the International Monetary Fund. CESR does this through direct advocacy targeting the powerful and by equipping civil society groups with the information to advocate on their own at the national and international levels.
2. Corporate tax avoidance (which keeps wealth concentrated in the hands of the few and powerful, depriving whole communities of the funds needed to support the services they need to thrive). CESR does this by pushing for fairer corporate tax policies around the world, often working through and with ICRICT and the OECD.

CESR also works on:

3. Strengthening the role of civil society groups to monitor and claim the full spectrum of ESC rights, which include the rights to food, health care, housing, social security, a healthy environment, and education.

In all of its work, CESR holds up international human rights as the key standard against which the fairness of policies and practices related to these matters should be measured.

Activities CESR carries out to support these strategies include:

- Research and analysis of economic policies
- Convenings and trainings of CSOs
- Development of tools, e.g. OPERA and the Egypt Social Progress Indicators, to measure compliance with ESC rights
- Contributing recommendations to the UN's SDG process and other international policymaking players, like the IMF

No doubt, this is a highly imperfect translation of what was discussed, but it is my effort to bring the disparate elements into a holistic picture of the work, and provide a model for doing so.

A clearer structuring of CESR descriptions along these lines, that also does a better job of revealing the import and urgency of CESR's work, will go a long way to selling the mission to prospective funders.

1. Financing your mission: Are the fundraising targets and budget in alignment with each other and with the organization's plans for impact and growth?

In process.

In terms of the **annual planning and budgeting process**, Ignacio wrote in his notes to me, "Typically, our planning process revolves around two-year cycles. Initial steps involve contextual analysis, identification of trends/drivers shaping strategy (led by management team), followed by program directors drafting strategy notes for their programs along with complementing work plans which list out the activities that will aim to fulfill the goals listed in the strategy note. The team holds quarterly review meetings to assess progress and adjust workplans."

Ignacio noted in conversation that CESR builds its budget around anticipated revenues rather than intended outcomes, or at least tilts in that direction. As the Nonprofit Finance Fund (NFF) advises in the helpful article linked at the end of this paragraph, "organizations too often use the annual budgeting process to drive their strategy, when really, the reverse approach is needed: a nonprofit's mission and business objectives should always steer its budget." It may be useful to read and discuss together the article linked here in case it provokes any new thinking around budgeting for your mission.

<https://trust.guidestar.org/blog/2012/11/27/refresh-your-organizations-budgeting-process-with-these-tips/>

CESR has not, as a habit, developed **multi-year budgets**, which are very helpful when it comes to fundraising planning. However it does plan to create a 3-year budget to accompany its new strategic plan once it is completed. This will aid in giving a direction of travel for CESR's growth needs and the fundraising needed to support them.

Owing to the deficit experienced in 2017, CESR has adopted an extremely cautious approach to **revenue projections**. CESR's revenue projections are based on funding that has been confirmed, along with grants that are at an advanced level of negotiation. Ignacio indicated a reluctance to use weighted probabilities for less likely funding prospects, as, owing to their subjective nature, they could render an overly-optimistic revenue projection yet again. I recommend holding open the possibility of using that approach once we have surfaced more funding potential through prospect research. The important advantage I see to this approach is that, if sufficiently conservative, it keeps the organization's risk at a reasonable level, sets the organization on an aspirational path, and has the added benefit of compelling prioritization, where development staff "follow the money", i.e. focus their attention on the highest potential grants in descending order.

The ratio of restricted to unrestricted grants is less than desirable. For 2020, slightly more than a quarter of CESR's funding is restricted. This is a common problem that leads to difficulties in full cost recovery for work carried out by the organization. One hedge against this problem is an accurate **calculation of overhead**, AKA indirect, costs, which should be built into all restricted proposal budgets. CESR's current indirect rate of 5-7 percent sounds unreasonably low, and unlikely to advance the organization's sustainability and resilience.

Some leading funders, starting with Ford and Hewlett, are now acknowledging that program-to-overhead ratios are useless in evaluating organizational effectiveness, and adjusting their funding of indirect costs accordingly. As Hewlett noted in an online article published in August 2019 called, "A Step Toward Supporting the True Cost of Nonprofits' Work", linked here <https://hewlett.org/a-step-toward-supporting-the-true-cost-of-nonprofits-work/>, "we learned that grantees' true indirect costs nearly always exceed the limits set by funders on indirect costs. We also became more aware of significant inconsistencies among funders and nonprofits and in the social sector generally when it comes to language, definitions of terms, and methodological approaches to calculating costs."

Here are two more articles on this important but too often misunderstood subject that has outsized bearing on financing your mission:

<https://nff.org/commentary/why-funding-overhead-not-real-issue-case-cover-full-costs>
<https://www.bridgespan.org/insights/library/pay-what-it-takes/pay-what-it-takes-philanthropy>

Another hedge against budget shortfalls is having a **Reserve Fund**. CESR's reserves, which currently stand at a bit more than \$200,000, are actually its anticipated unrestricted surplus heading into FY2020. (The suggested range for a Reserve Fund total is 3-6 months' running expenses, which would be \$325,000 at the low end for CESR in 2020.). They are not kept in a segregated account, which, while not required, is generally recommended.

There is no written Reserve Fund Policy, though CESR is currently working with its accountants and Board Treasurer to put one in place. Such a policy should cover, among other things: desired size of the reserve (as a percentage of the budget), purposes to which the reserve monies can be put to use, who has the decision making authority over reserve funds, and a provision for replenishing any funds withdrawn within a designated time frame.

CESR should also consider adding a contribution to the reserve into each year's expense budget. Starting out the year with the intention of making some level of contribution to the reserve is a good practice because it makes building the reserve something that happens intentionally rather than by happenstance. And it's an easy line item to eliminate if, during the re-forecast at midyear, it needs to be cut in order to balance the budget.

More guidance on Reserve Funds can be found here:

<https://grantspace.org/resources/knowledge-base/operating-reserves/>

and

<https://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/pages/operating-reserve-policy-toolkit-for-nonprofit-organizations.aspx>

2. Does the organization have the right complement of skillsets and resources to meet the fundraising targets?

Yes and no.

Between Ignacio and Rebecca, who have each moved into larger fundraising roles since the DED's departure in August, the needed **skillsets** — including planning, budgeting, writing, relationship building, tracking, prospecting, reporting, etc. — are covered. The challenge, as they made clear, is — or has been — **a shortage of time**.

During the coming year, Ignacio will increase his time spent on fundraising from 20 percent to at least a third of his time, and Rebecca will increase to 30 percent from approximately 20 percent in her previous role. This is still less than one FTE. It remains to be seen whether additional fundraising capacity will be needed, or whether capacity could be added in the form of other staff taking over some of Rebecca's non-fundraising functions. I recommend that Rebecca and Ignacio evaluate after 6 months and make any follow-on determinations about capacity at that point.

In terms of **prospecting**, CESR is familiar with and using the standard sources and tools, starting with the Foundation Center Online. But it is not conducting prospect research on a systematic, rolling basis and does not currently have an up-to-date prospect pipeline. To address that, the consultancy has built in \$2000 worth of an outside prospect researcher's time to map the universe of CESR's potential funders. This information will be collected and tracked in an excel spreadsheet and should provide the basis for much of CESR's pursuit of new prospects during this fiscal year.

With less than one FTE on fundraising, it will be difficult to maintain the momentum around proactive prospecting beyond FY2020. Ideally, in the long run, if CESR wants to continue to grow its annual budget, it should plan on having at least one full-time position dedicated to fundraising.

If CESR is not already subscribed to, or at least aware of some **other useful resources** on fundraising, social change, financial management, and organizational governance and effectiveness, consider these:

- Chronicle of Philanthropy <https://www.philanthropy.com/>
- Board Source <https://boardsource.org/>
- Stanford Social Innovation Review <https://ssir.org/>
- Raise-Funds <https://www.raise-funds.com/>
- Inside Philanthropy <https://www.insidephilanthropy.com/>
- Bridgespan <https://www.bridgespan.org/>

And two books on fundraising and nonprofit finance published by Wiley:

- The Complete Guide to Fundraising Management by Stanley Weinstein
- Nonprofit Financial Management: A Practical Guide by Charles K. Coe

3. Does the organization have the best systems and practices in place to succeed in its fundraising?

Yes, in part.

Funder records are organized, centralized and accessible.

Acknowledgements go out in a timely manner.

The staff reported that the most significant gaps in this area are:

- **Funder tracking** — By that I mean monitoring the state of play with donors and prospects, which needs to be clearly understood by all parties involved so that strategy and next steps are fully informed. The current tool developed in-house is not being used consistently to drive next steps. The priorities listed in it are now out of date. I have recommendations for a tool to use; we will take this up in the course of reviewing the revenue projections, getting the prospect research underway, creating the top prospects list, and collaborating on the development plan.
- **Prospect research and prioritizing** — This has been happening on a rolling, ad hoc basis. Priorities are established in a vacuum, rather than ranked and prioritized in the context of each other. Again, the prospect research and creation of a new tracking chart should go a long way to helping here.
- **Annual development plan** — The 2019 fundraising plan that I reviewed was over broad and general. The plan we intend to create for 2020 will function as both a road map and accountability frame for the fundraising, built around the lists of top prospects with target amounts, incorporating priority activities, and ensuring the capacity is in place to meet the fundraising targets.
- **Related program management processes** — program objectives are framed at quite a “high level”, which makes it difficult to communicate to funders how activities and outputs translate into outcomes and impact. Monitoring and evaluation also needs to be systematized so that staff have regular and reliable data to draw on for fundraising proposals and reports.

4. Are the board and CEO sufficiently knowledgeable about and involved in the fundraising to ensure success?

Yes, for the most part.

The CEO and Board are very knowledgeable about institutional fundraising, which will be CESR's primary fundraising focus for the foreseeable future.

The board's role, embraced by the board as a whole, is to serve as door openers and validators. It will be helpful to survey the board on their funder relationships, an activity we plan to build into the 2020 development plan. Having this information at hand may increase the number of opportunities to involve the board in funder outreach. While the board is always eager to share insights on fundraising, both strategies and prospects, there tends to be a lack of follow up which results in these plans not coming to fruition.

Developing other income streams, e.g. Annual Fund and bequests, is of interest to the leadership who have less experience with and knowledge about these fundraising approaches. We will take up, in the course of creating the development plan, whether CESR has the bandwidth to invest time in developing these aspects of its fundraising and whether the return on investment would be sufficient.

5. What are the organization's chief strengths in relation to fundraising?

Timely mission — if not fully embraced and understood by all funding prospects
An anchor organization in its field
Highly regarded by its long time supporters and partners
Ambitious leadership
Prudent financial management
Impressive track record
Willingness to invest further in development operation

6. What are the organization's chief gaps/weaknesses/challenges related to fundraising?

Historically hard-to-sell mission
Weak story telling
Over-reliance on short term grants
Not enough staff/bandwidth to grow budget significantly and a discrete set of budgeting and financial management issues to address (see above)
Lack of high-utility development plan
Lack of familiarity with other forms of fundraising outside institutional approaches