

# Civil society organizations require wholesome support

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Many donors query us about specific civil society organizations (CSOs), but more often, they want to understand the landscape of CSOs. Including the problems and complications, and what they should be aware of, as they fund CSOs—a phrase that includes non-governmental organizations (NGOs), community-based organizations (CBOs), and other kinds of not-for-profit organizations working for societal improvement. Such conversations happen with the entire range of donors: the corporate social responsibility (CSR) arms of business organizations, philanthropic foundations and individual donors. They talk to us because they are familiar with Azim Premji Foundation as one of the larger donors in the country, supporting hundreds of CSOs and in touch with even more.

Often such conversations indicate a genuine desire to learn, but more than a few seem to be looking for some validation of their own unfounded notions, such as “most CSOs are incompetent” and “there is a dearth of leadership talent in this sector.” But even in the sincerest of such conversations, it’s rarely about what they should be watchful about in themselves and their own actions; it is almost always about CSOs.

Most get the drift quickly when we turn the conversation to the methods and actions of donors, and what they should be careful with, because the CSO landscape is profoundly shaped by what donors do or don’t do. Much of what we share in this regard is based on missteps and mistakes that we have ourselves made, as also from what we have observed in the behaviour of the donor ecosystem and its effects on CSOs. Even the most important of these are too many to fit into a single column, so let me share these over a few, starting with the matter of ‘overheads’, which is certainly not the most important of such issues but is still a useful starting point.

Donors want to support costs which are incurred for programmes and activities that directly deliver the desired benefits or improvements to intended communities. They don’t want to, or want to minimize, their support for the other costs that CSOs would be incurring—classified loosely as ‘overheads’.

Why, if at all, is this approach a problem? A couple of examples will be useful. A CSO working with public schools to help improve learning will have team members training and supporting teachers; their salaries and cost of activities would be such direct programme costs. As would be any teaching-learning-material and resources that are provided to schools by the CSO. Another CSO working to help improve livelihoods of small farmers, would have specialists working on the ground with farmers, and perhaps

would be providing inputs such as seeds and organic fertilizer, all of which would be direct programme costs. Such costs are what the donors want to support and want to minimize supporting any other costs borne by CSOs.

While it may be obvious, a business analogy may make it even more so. In a factory, this is like believing that the only legitimate costs are those of raw materials used and the direct operating costs of machines and labour. What about costs of (including of people involved in) recruitment, training, finance and accounting, human resources management, information technology, facilities and maintenance, safety measures, quality control, engineering, research and development, and management? And all of these within the context of a large number of external conditions that affect the organization every day, such as attrition, statutory filings and stakeholder expectations. No factory can run without taking care of these costs appropriately, let alone be a strong and effective operation.

Other than tiny ones, all CSOs will have costs akin to the factory example. If all or most donors don't want to support these other costs, how can the CSOs function? And that when the same donors also have expectations that CSOs will be strong and stable organizations, with attendant characteristics such as good processes, sound accounting and reporting, leadership succession and development, the capacity to scale up, and more.

Almost all donors do support such 'overheads', though too many do so grudgingly and insufficiently. I have seen numbers mostly in a range of 5-10% of the cost base, with many touting lower numbers as a badge of honour. It is anything but that. If you go back to the factory example, and think of all those costs that would be classified in the CSO world as 'overheads' by donors, can you imagine all of that being 10%? And this is as a proportion of the cost base, not of revenue or income.

In our experience, other than for small CSOs, anything less than 15% is unreasonable; perhaps 20-25% is desirable.

Most donors, as mentioned earlier, expect a strong, vibrant and high-capacity CSO ecosystem. However, reluctance to support the activities and functions that ensure stability and organizational effectiveness is inconsistent with that expectation.

This tension has only increased in the last two or three decades. Most donors' horizons of time and their roles have narrowed, with some notable exceptions. The unreal push towards strong CSOs with no overheads is one manifestation of this narrowing. The other is a reluctance to commit long-term funding. This has had a multiplicative weakening effect on Indian civil society. More about that in the next column.

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