Watershed
empowering citizens

Summary

Legitimacy and Financial Sustainability of CSO Network Organisations

Lessons learned and relevance for global and regional CSO networks active in the WASH sector

Introduction

Networks of civil society organisations (CSOs) play crucial roles in the arena of international and national political decision-making, with members pursuing shared goals in social development or democratic governance. This report looks at the purposes of networks, their structures, membership and membership roles, their core activities, geographic spread and sources of funding. It does this with a view to draw lessons from practice on two issues: legitimacy and financial sustainability. The study was initiated by Watershed.

Watershed initiated the study into the organisational frameworks adopted by the different networks and network organisations so that it could help strengthen WASH/IWRM global and regional CSO networks and their supporting partners. It sought to:

1. gain a better understanding of the experiences of network organisations in building legitimacy and financial sustainability;
2. better understand how network organisations effectively represent the voices of their membership, and communicate activities and results from the global level back to the local levels; and,
3. find relevant non-WASH/ water sector CSO networks for potential collaboration.

Methodology

In working to identify good practices underpinning network organisations' legitimacy and financial sustainability, and to ultimately draw ideas and lessons from these practices, a Watershed webinar with 13 global and regional CSO networks and their partners was held. Ultimately, five CSO networks were selected for the study. The selection criteria were that network organisations should:

1. include a lobby and advocacy component;
2. represent CSOs, not individuals;
3. clearly function as a network–rather than as an NGO with hubs in several countries; and,
4. preferably be global and regional networks for the purpose of future collaboration.

A note on criterion four is that four global and regional networks and one national network were selected.

Apart from interviews and email exchanges held with these five CSO networks, in-depth desktop research was done drawing on publicly available information contained in annual reports, policies and strategies. Two other discussion fora were later held. These were a follow-up webinar and an optional closed event at Stockholm World Water Week for dissemination and discussion of the results with a wider audience that included donors and governments.

Watershed's position on the information obtained

The study assesses the different structures adopted by CSO networks vis-à-vis their financial sustainability and legitimacy, and discusses their advantages and disadvantages. It draws lessons learned from the assessment and makes no judgement as to whether one organisational structure is superior to the others.

The information gleaned and the lessons learned in the study will enhance understanding of the issues pertaining to financial sustainability and legitimacy of CSO network organisations and the interdependencies between the two.

Legitimacy

As a representative body, CSO network organisations must be legitimate first and foremost in the eyes of the organisations they represent and thereafter in the eyes of other stakeholders, donors and the actors they seek to influence. The study looks at the different ways in which the five CSO network organisations have strived to create and retain their legitimacy. The point is made that while legitimacy is a precondition to organisational survival, a wide array of pressures make it very hard to create and retain.

Among the five CSO networks with their diverse contexts and solutions, the one factor they all have in common is the need for absolute clarity and consent on their respective visions, missions and goals. This is extremely important in contexts where there may be power imbalances such as between the organisation's structure and its members, among the members, between the CSO network and its donors, and the North based entities and the South based entities. A clear shared goal is a unifying factor.

The process of getting that absolute clarity is a challenge in itself and is organisation specific. In general, it seems that the larger the CSO network, the more complicated it becomes. Apart from the issue of divergent opinions which need to be brought together, some CSO networks – be it intentional or not – have a hierarchy among their membership with some voices being stronger than others. Large CSO networks run the risk of becoming distanced from their membership, failing to notice the minority voices and sometimes simply have such a diverse membership that they cannot represent everyone. Remaining representational and reflecting the views and the missions of their members in turn bring about greater legitimacy in the eyes of both members and relevant external entities.

Legitimacy also comes with membership involvement and this is a perennial issue for CSO networks. Small member organisations may not have the human or financial resources to play an active role in their CSO networks. Yet, if only the ones that do have the resources play an active role do so, there is a risk that they dominate the agenda, the knock-on effect being that the CSO network loses legitimacy in the eyes of part of its membership base. There will then be a high turnover of members and the CSO network will struggle to gain legitimacy.

Thus, the ability of a CSO network to be in touch with and represent its membership base seems to be key. Another factor is the ability to uphold the mission and methodology under pressure from external sources. In the case of donors, they mostly support particular activities or projects rather than core funding and demand rigorous accountability. While understandable from the donors' perspective – after all, they too are accountable to their revenue sources – it leads to a fine balancing act in the CSO networks. Are the CSO networks able to meet those reporting requirements? What if one of their principles conflicts with a donor's position. Should they accept the donor's position for the sake of the funds? What if one of those funded projects is run by a member whose leader holds an important position in the CSO network organisational structure? Will that be seen as favouritism?

Legitimacy is largely determined by the factors outlined above. CSO networks gain legitimacy in the eyes of their membership, stakeholders, funders and so on if all the members are well represented, heard and are involved. But this is easier said than done, as the report states (p. 17). *'The most striking finding of the whole research was that almost every respondent highlighted organisational identity as the biggest current challenge facing CSO networks. As CSO networks established secretariats, registered and secured project funding from donors, they found themselves working increasingly independently from their members. It has reached the stage where the most important question that network leadership and governance needs to answer is: will we remain as an authentic CSO network or become an advocacy NGO with nominal membership.'*

Financial Sustainability

All five CSO networks in this study long for financial sustainability. They recognise that it would make them viable in the long term, resilient to unforeseen events, and enable them to meet their obligations to their members and other stakeholders. It would also help them represent their membership well and uphold their mission in the face of opposition. Furthermore, it would help them do the lobby and advocacy work that is so important to their mission and legitimacy.

That said, all five CSO networks struggle with financial sustainability in different ways. As mentioned above, many CSO members are simply unable to part with resources, not even in-kind resources so funds have to be sought elsewhere. That elsewhere could be other members and private and public funders. Each of these sources has its upsides and downsides. One downside is the amount of human and financial investment that the CSO networks need to invest to obtain funding. Others are the strings attached to the funds and the reporting and accountability requirements of the donors. This raises the question of what is leading in the CSO networks' mission: the areas that donors fund or the membership's priorities? When asked this question, all five CSO networks stated that they first define their strategies and action plans and only then

seek funding. In other words, their own mission is leading and not the potential sources of funds.

One of the points that emerged from the study, and as mentioned above, is the wish of the CSO networks for their core operational costs to be covered by external funding instead of just certain parts of their work separately. Apart from the time and effort that this would save in terms of organisation and monitoring, it would also strengthen their base and make them more viable in the long term. They now find themselves juggling between accessing funding from different donors, and dealing with the question of accessing funds from either donors or members.

Whether or not to charge membership fees is a pertinent question for the CSO networks. Charging fees – preferably on a sliding scale according to the ability to pay of its members – can help the CSO networks leverage ownership among and its members and, hence, participation. It can also help attract external donors who see the CSO networks as a less risky proposition. However, out of the five CSO networks in the study, only two currently charge membership fees with a third considering it. Most of them receive in kind contributions.

When dependent on external funding, maintaining a degree of financial stability and independence can only be done when the sources of funds are many and diverse. An overreliance on one or two donors puts CSO networks in a very vulnerable position. Not only are they subject to the requirements of donors (as mentioned above), but they are subject to societal trends, funds not being diverted to other pressing needs and the intention of the donors to continue funding in the long term.

One issue that emerged from the desktop research is the strong position held by Northern donors. There appears to be a 'hierarchy in the aid chain' with Northern donors at the top followed by international non-governmental organisations, national CSOs and finally local organisations. The need for Northern donors, and in particular governments, to be accountable to their constituents, in turn puts pressure on the CSO networks given these donors' managerial approach that requires reporting and measurable results. This can put CSO networks in the vulnerable position of being stuck in the middle with donors' demands on one side and members' needs on the other. Avoiding conflicts of interest, being seen as favouring certain members, and adhering to the mission all become areas of tension.

The CSO networks are aware of potential tensions among their members and are trying hard to avoid them. One has explicitly stated in its charter that it does not compete with its members for funding or give some of its members an advantage over other members. This CSO network (CIVICUS) can only do this because it is in a relatively strong financial position. Its financial position also enables it to invest in building strong relationships with its current, past and potential donors and with strategic partners. This not only builds legitimacy, but is an indirect means of lobby and advocacy and may enable it to leverage funds in the long term and hence make it more viable in the long term.

Whatever route CSO networks take to obtain financial sustainability, it must be done with the input, knowledge and consent of its members. As a representative body, the members must have a voice in defining and implementing the strategies, checks need to be built into budgets, and the financial side of the CSO networks must be monitored by members.

Summarised conclusions

In terms of legitimacy, what emerges from the study is that a CSO network will be viewed as legitimate if it does what it set out to do and what it says it does. This is highly simplistic of course, but it encompasses the very factors that make up the bedrock of a CSO network such as: authentic representation of all in different platforms; a strong shared identity; compliance with its mission; clarity of strategy; active participation of the members; equality among members; input mechanisms and checks and balances in place and so on.

The study shows that the issue of financial sustainability is more complicated if we look at the sources and types of funding and whether in-kind contributions are counted or not. These are described in detail in the report so the main conclusion to be drawn here are that members' contributions, in money or in kind, are highly valuable because the members are the CSO networks' most important asset, constituents and stakeholders. In terms of external monetary funds, CSO networks need to exercise caution to not let the prospect of funds unintentionally drive a wedge between them and their constituents.

Link to Legitimacy and Financial Sustainability of CSO Network Organisations study