



## **An Inception Report**

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**A cross-sectoral partnership dedicated to solving the world's most pressing problems  
by radically increasing the volume and impact of investment in community based  
organizations and social entrepreneurs**

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**Presented by:**  
**AccountAbility**  
**Aga Khan Development Network**  
**Brugger and Partners**  
**Earth3000**  
**Inter-American Foundation**  
**Medley Global Advisors**  
**Nelson Mandela Foundation**  
**Schwab Foundation for Social Entrepreneurship**  
**State of the World Forum**

October 2003

*A scene setting thought:*

“The day when nonprofit/NGOs can function in the market and not hold themselves accountable to the same performance standards we advocate for for-profit companies is past; NGOs create economic, social and environmental value for which they should be accountable and rewarded.”

Jed Emerson and Sheila Bonini  
*The Blended Value Map—2003*

*And a reminder that there are many ways of seeing and valuing:*



William Blake's vision of Sir Isaac Newton measuring the un-measurable

To learn more about Keystone, please visit <http://keystoneaccountability.org/>.

## Précis

Keystone aims to increase significantly the quality and quantity of social investment – donations, grants, in-kind support, volunteering, loans and equity -- for sustainable development by and for the world's poor. Keystone sponsors and pilot project partners aim to do this by building a generally accepted reporting standard for civil society organizations as the lead element in an ongoing, inclusive, open and participatory process of enabling innovation in accountability and social investing.

The Keystone sponsors and pilot project partners have come together from diverse geographic and institutional settings. Sponsors include leading figures from social entrepreneurship, international grantmaking foundations, public development agencies, commercial finance, business consulting, and corporate social responsibility. Pilot project partners come from across the developing world, where they are addressing some of the world's gravest challenges in health, education, economic development, culture and social welfare.

In this inception document, the Keystone sponsors analyze social investment practice today and present their plans to deliver four outputs:

1. A Global Dialogue on NGO Transparency, Accountability and Performance to address the current situation and future needs for accountability and transparency in civil society organisations as a means for enhancing their ability to secure adequate investment to underpin their contribution to development.
2. Keystone Reporting, a generally accepted global reporting standard for nonprofit, public benefit organizations seeking social investment.
3. Keystone Learning, an independently managed capacity development programme to strengthen organizations using or seeking to use Keystone Reporting.
4. The organizational blueprints to evolve and sustain Keystone Reporting and Keystone Learning after the demonstration period described in this report.

Keystone Reporting is designed to yield several kinds of benefits:

1. Reporting organizations will gain access to new finance (on better terms). They will enhance their own organizational accountability and learning processes through strengthened real time feedback. They will be able to benchmark themselves against others addressing similar problems, highlighting relative performance and the factors determining performance, making it easier and faster to influence others and to identify, adopt and spread best practices.
2. Individual social investors, organized philanthropic institutions, and social investment marketplaces will be able to rely on credible information to make plausible predictions about the future performance of the organizations they might want to invest in.
3. Data aggregated from a set of reporting organizations will enable more robust insights into what is happening in a given area – competencies, gaps, success factors, and interrelationships – in a way that will enrich the macro view to guide policy actors and enable multi-sector partnerships.

Keystone Reporting is conceived as an open non-proprietary reporting standard. Its principal purpose is it to provide reporting organizations with access to new and better forms of social investment. It is offered to social investors, go-betweens, and practitioners as an underlying informational service to address a lack currently constraining social investment. Keystone Reporting will grow in value for each and every stakeholder – reporting organizations, social investors, governments, businesses, researchers and media, and society at large -- with each reporting organization and social investment vehicle that adopts it.

## Table of Contents

Introduction .....	1
Background and Justification .....	1
The Emerging Social Investment Paradigm.....	3
New Paradigm Drivers .....	3
Philosophy, Mission, Strategy and Objectives .....	6
Measurement: A Calculated Risk.....	6
Assessing Impacts versus Organizational Competences .....	8
Development as Freedom and the Primacy of Individual Agency.....	9
The Keystone Reporting Standard .....	10
Enabling Markets and Innovations in Social Investment.....	16
Enhancing Outcomes for Established Grantmakers .....	19
Transforming Public Awareness .....	19
Sponsors and Structure .....	20
Other Players.....	21
Financial Model .....	23
Plan of Action .....	23
Global Dialogue on NGO Transparency, Accountability and Performance.....	24
Action Research Development Process.....	24
Certification and Self-Regulation .....	26
New Social Investment Marketplaces .....	26
Associations of Grantmakers .....	26
Key Influencers Among Organized Grantmakers .....	27
Diaspora Philanthropy .....	27
Social Entrepreneur/Leadership Networks .....	27
Global Private Development and Humanitarian Agencies .....	28
Governments, Public Development Agencies and Macro Data.....	28
Outputs and Outcomes .....	28
Appendix 1: New Social Investment Actors .....	i
Social venture capital providers .....	i
Deal and match making .....	i
New vehicles for donor learning, collaboration and investing .....	ii
Giving portals .....	ii
Financial instruments for pooling resources and lending .....	ii
Donor advice and consulting.....	ii
Research and public education on philanthropy .....	ii
Data sets, research and indexes on nonprofits.....	iii
Measurement and rating .....	iii
Assurance and certification standards .....	iii
Appendix 2: Keystone Learning .....	i
Appendix 3: The Sponsors .....	i

## Introduction

Imagine a world in which all groups of citizens coming together to realize some public benefit measure and communicate the character and consequences of their work. Imagine further that all those groups have adopted a common reporting system that enables their individual reports to be compared, thus creating powerful descriptions of the relative and collective performance of citizen association for public benefit. Imagine, too, that this common measuring and reporting carries across to all forms of public-private partnership and corporate social responsibility. This is the world envisioned by Keystone.

For the past 18 months a growing number of concerned actors have been meeting, studying, and testing opinion around one of the great structural weaknesses in the world's institutional infrastructure – inefficient and weak social investment markets. This inception report sets out the results of this enquiry in the form of a proposal to establish a reporting standard for nonprofit organizations seeking to produce social, environmental and, increasingly, financial returns. The Keystone Reporting standard is one important contribution to redressing a major global system weakness, but it is certainly not the only one. Nor is it one that can operate in isolation from other initiatives. Accordingly, the Keystone proposed plan of work involves convening a global dialogue on NGO transparency, accountability and performance with the objective of promoting Keystone and other practical solutions to the challenges of social investment and civil society accountability.

This report sets out the background and rationale for these proposals. You will meet the Keystone sponsors and pilot project partners. Parts of the report are descriptive and analytical but other parts are necessarily theoretical and technical in nature. We make no apology for this. Part of the reason that in 2003 the world does not yet have a reporting standard for social actors is that the theory and technique have not been mastered. For those with a strong orientation toward strategy and action, however, these aspects are presented as well.

The main purpose of this report is to incite wider discussion and review of the Keystone proposal as it moves into its implementation phase. Please do let us know what you make of it!

## Background and Justification

Over the last fifteen years or so, the world has witnessed what some have called a “global associational revolution” and a “power shift”. Everywhere citizen driven organizations are emerging to respond to the wide variety of challenges facing humanity. In highly organized societies in North America and Western Europe, for example, the organized nonprofit sector is now a major element in the economy, employing as much as 12 percent of the workforce, and with annual expenditures reaching nearly 15 percent of GDP.<sup>1</sup> While the figures for developing countries are lower, they nevertheless indicate clearly the growth and potential of the nonprofit citizen sector.<sup>2</sup>

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<sup>1</sup> For comparative statistics on the dimensions of citizen organizations in 42 countries, see the findings for the Johns Hopkins Comparative Nonprofit Sector Project (<http://www.jhu.edu/~cnp/>).

<sup>2</sup> Around the world, a confusing variety of terms are used to identify organizations reflecting not-for-profit citizen associational activities. For the purposes of Keystone, which is concerned with solving important social problems, the spotlight is on that sub-set of the universe of private associational life

This is not simply a matter of numbers. At a time when issues like HIV/AIDS or the environment are presenting developing country governments with overwhelming challenges, citizen groups are extending the reach of government services, pioneering new methods, consolidating democracy and checking abuses of power (whether governmental or corporate), and developing new ways to work with governments and businesses to address the problems of the day. Citizen organizations have come to play key – and in some cases indispensable – roles at the local, regional, and more recently national levels. While this has often taken the form of providing much needed basic services to vulnerable communities, increasingly citizen organizations have also proved their value as policy makers. In particular, they channel grassroots participation, thereby initiating genuine dialogue about what people “on the ground” need and do not need, what works and does not work.

One of the defining features of nonprofit organizations is that their key resource is an expanding and self-renewing one -- “people power”. When it comes to finance, the state sector can tax and the commercial sector can trade, but the situation for the nonprofit citizen sector is more complex. Its funds come from three distinct sources: fees and other earned revenues, public sector payments (mostly for contracted services but sometimes as entitlements), and grants and donations.

Grants and donations are particularly important for the poor of the developing world, but far more social investment is needed. Grants (including private giving and foreign aid) available in the developing world amounts to approximately USD 85 billion a year, out of a global expenditure of about USD 500 billion annually. The United States alone generates approximately USD 240 billion plus in private giving a year, of which only some USD 12-17 billion (5-8 percent) finds its way to the developing world.<sup>3</sup> Leaving aside for the moment questions about the efficiency of the international aid system, an additional USD 50 billion per year is estimated to be needed to meet the UN Millennium Development Goals.<sup>4</sup>

The quantity and quality of social investment is intimately related to the quality of citizen action. Keystone represents one small step toward creating the conditions in which improved efficacy in social action would enable more funds to become available to deserving groups. The Keystone proposition is that in order to reach and sustain the required scale of social

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that is intended to provide some public benefit. In general, throughout this document, the various terms used – including citizen organization, civil society organization, nonprofit organization, nongovernmental organization (NGO), social entrepreneur and public benefit organization – refer to that sub-set of private citizen-based initiatives that are dedicated to addressing social problems and providing a public benefit. This approach is also in line with legal definitions, which typically do not allow the distribution of profits to individuals and in other ways tethers an organization to its stated public benefit purposes.

<sup>3</sup> In 2001 and 2002, US charities that provide services outside the US saw an annual increase of 9.9 percent. International giving estimates come partly from GlobalGiving business plan (January 2003), and partly from the annual **Giving USA** figures (<http://www.givingusa.org/>). More information about GlobalGiving is available from Dennis Whittle, Chairman and Chief Executive Officer ([dwhittle@globalgiving.com](mailto:dwhittle@globalgiving.com)).

<sup>4</sup> In the fall of 2000, 189 Heads of State signed the Millennium Development Declaration, which set forth a series of quantifiable development goals to be achieved by 2015. These goals include halving the number of people living in extreme poverty; halving the number of people without safe access to safe, clear drinking water; and providing universal primary education to every child in the world regardless of gender. They included a culminating eighth goal to create a new global compact for development that involved increased and improved foreign aid.



investing (e.g., voluntary donations and grants), and to certify investee effectiveness, new, and better information is needed, and on a more accessible basis. While investment for social returns will always, and rightly, be grounded in a compassionate moral response, measuring and reporting on the effects of social investing can increase investor satisfaction and act as a catalyst to increase and improve the social investment process as well as the ways it is utilized.

## The Emerging Social Investment Paradigm

Keystone envisions a virtuous cycle in which citizen organizations improve their performance, communicate effectively, and thereby enable better and more social investing. This virtuous cycle is part of a new emerging social investment paradigm that is characterized by greater transparency and more robust measurement practices. This emerging paradigm is driven by a number of key factors, including new actors entering the philanthropy domain from finance and business, new communications tools, advances in metrics, and a response from within the civil society sector to accountability pressures.

### NEW PARADIGM DRIVERS

Four historical trends are converging in a way that suggests the features of a new social investment model. First, there are growing numbers of individuals from the business and nonprofit worlds who are actively applying lessons drawn from the business world to the domain of nonprofit organizations and social change. This application of business discipline in the arena of social change, which is as diverse as business practice itself, is neither linear nor straightforward. It carries corporate interests of a commercial nature, including positioning, as well as more altruistic motives. A 2003 report surveying the “field of measuring philanthropic impact” speaks of a “stampede to measure outcomes”, much of it driven by business actors entering the philanthropic arena for the first time.<sup>5</sup> The broad trend is clear, and the implications for the way nonprofits “do business” and the way in which social investments in them are assessed are enormous.

Second, new communications technologies offer powerful new tools for communicating and sharing information in the nonprofit world. In particular, the World Wide Web makes it possible for social investors in any corner of the world to connect directly with social entrepreneurs in any other corner of the world. There are a growing number of innovators tailoring web technology to create new social investment marketplaces. As the name “marketplace” implies, these innovations move beyond merely rendering the charitable giving transaction more efficient – as the giving portals of the past decade tried to do – to enabling direct, unmediated and more intense relationships between “sellers and buyers” of social investment.<sup>6</sup>

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<sup>5</sup> *The Global Leaders of Tomorrow Benchmarking Philanthropy Task Force Report: Philanthropy Measures Up* (2003) <http://www.shannon-brown.com/GLT/report.html>.

<sup>6</sup> Two leading examples are GlobalGiving.com in the United States and GiveFoundation.org in India.

Third, there is an impetus from within the nonprofit sector for accountability and improved measurement. This impetus comes from several points.<sup>7</sup> There is a media-genic challenge to the visible international advocacy elements of civil society in response to challenges to massive concentrations of corporate power, particularly as these challenges “represent” the harsher consequences of globalization. It is partly driven by the challenge of attracting private support, which typically needs a different kind of convincing than foreign aid donors. The challenge here is to build trust and credibility with the business community and the public at large, which widely perceives the sector to be unaccountable at best and anti-accountability at worst. The internal drive for better accountability is also partly driven by the need to counter national government claims that local nonprofits reflect “foreign interests” – or no interests other than those of a few “agitators”. This line of argument posits that citizen organizations – unlike elected governments who derive their legitimacy from the electorate, and business leaders who are at least accountable to their shareholders – consist of largely self-appointed “do-gooders” who are accountable to no one but themselves.<sup>8</sup> To counter this argument, citizen organizations need to broaden and demonstrate their membership and public support and develop new mechanisms that throw light on their internal practices as well as their relations with a range of stakeholders.<sup>9</sup>

Over the past couple of decades, a number of new tools and methods have come into wide use by citizen organizations seeking to be more effective and accountable. These include a controversial set of rationalist planning tools, such as “logical framework analysis” and “results-based management”. More recently, the practice of undertaking “social audits” and producing “sustainability reports” has also emerged as a way of strengthening relationships with stakeholders. Initially developed within the nonprofit sector, this practice has been most actively taken up in the corporate world, where it fits well with the evolving understanding of the wider societal responsibilities of the corporation.<sup>10</sup> Finally, in many countries citizen organizations have established codes of conduct and even, as in the Philippines and Pakistan, legally sanctioned certification regimes linked to fiscal benefits. We can expect to see many more countries evolving such assurance frameworks for nonprofit citizen organizations over the next few years.

The fourth trend is of a more technical nature and signals a maturing of the field of measurement and impact assessment. Over the past few years, new metrics have come into wide use in the commercial and public sectors to capture complex and often intangible non-financial aspects of performance. These are being applied both to individual organizations –

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<sup>7</sup> For a current analysis of the NGO accountability debate, see Keystone Steering Committee Co-Chair Simon Zadek’s article, “In defense of non-profit accountability”, in the September 2003 issue of Ethical Corporation Magazine, <http://www.ethicalcorp.com>.

<sup>8</sup> For a thoughtful elaboration of these issues, see the speech entitled “An overview of some of the factors driving the development of self-regulation frameworks for the NGO community across the world”, by Kumi Naidoo, General Secretary and CEO of CIVICUS: World Alliance for Citizen Participation, at <http://www.ngorc.org.pk/html/kumi.htm>.

<sup>9</sup> In the developed world, the child sponsorship agencies provide an interesting case study. In order to respond to high levels of media scrutiny, particularly in the United States, child sponsorship organizations have developed a set of operating standards and are now launching a third-party certification scheme to provide independent audit.

<sup>10</sup> C Rubbens, P Monaghan, E Bonfigliani and S Zadek, “Impact of Reporting: the Role of Social and Sustainability Reporting in Organisational Transformation” ([www.accountability.org.uk](http://www.accountability.org.uk)).



notably large corporations – and to the fast-growing area of public private partnerships.<sup>11</sup> The time has come to adapt and apply the new metrics in the nonprofit domain too.

A number of other features co-evolving around and through the field of social investment are contributing to the emerging paradigm:

- Public funding – international aid as well as government-delivered services – looks increasingly to fund NGOs, and requires better performance accountability measures to do so.
- Indigenous philanthropy is increasing in the developing world. One day not too far in the future this will be the main source of finance for developing country social entrepreneurs. A 1999 household survey on charitable giving and volunteering undertaken by the Aga Khan Development Network in Pakistan discovered that Pakistanis annual charitable giving totalled four times the amount received in international aid grants. While the overwhelming proportion of this giving went to individuals or to religious organizations, the respondents indicated a strong willingness to support social, education and health projects “if convinced those projects would use the funds effectively”.
- People living and working outside their homelands are increasingly investing in communities “back home” – the phenomenon of so-called “diaspora philanthropy”. East Asian, South Asian and Latin American communities living abroad, in particular, are increasingly well organized to undertake social investing, set up organizations, and engage home governments to create an “enabling environment” for their philanthropy.
- The “business case” for corporations to take on their wider societal responsibility is now well understood, and the pioneers are being overtaken by the pack.
- There are expanding numbers of social science researchers worldwide, increasingly well organized and networked through the web, pushing forward our knowledge about nonprofit citizen organizations, including their scope, longevity, sources of support and impact.
- Programmes and services to enable social investors to learn and collaborate are proliferating.
- Professional providers of management services -- management consultants, accountants and auditors – are plying their wares in the nonprofit sector.

[Appendix 1](#) provides a list of some of the actors in this emerging field of social investment.<sup>12</sup>

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<sup>11</sup> A well-known leader in this area is the Global Reporting Initiative (<http://www.globalreporting.org/>), which promotes reporting guidelines for sustainability reporting by corporations. The field of sustainability reporting has now evolved to the point where the leading technical resource body in this arena, AccountAbility, which is an Keystone sponsor, has launched an “assurance standard” to “assess, attest to, and strengthen the credibility and quality of corporations doing sustainability reporting”. See the 2003 report, “State of Sustainability Assurance” ([www.accountability.org.uk](http://www.accountability.org.uk)).

<sup>12</sup> As part of a Hewlett Foundation of a research effort to define the “blended value proposition”, Jed Emerson and Sheila Bonini ([s.bonini@hewlett.org](mailto:s.bonini@hewlett.org)) have comprehensively mapped the domains of venture philanthropy, social entrepreneurship, strategic philanthropy and corporate social responsibility. Titled “The Blended Value Map: Tracking the Intersects and Opportunities of Economic, Social and Environmental Value Creation,” the study was published in October 2003 by Hewlett and Skoll Foundations and is available online at <http://www.blendedvalue.org/>.

## Philosophy, Mission, Strategy and Objectives

Keystone aims to increase significantly the quality and quantity of social investment – donations, grants, in-kind support and volunteering -- for sustainable development by and for the world's poor. Keystone sponsors aim to do this by building a generally accepted reporting standard for civil society organizations as the lead element in an ongoing, inclusive, open and participatory process of enabling innovation in social investing.

The Keystone sponsors have come together from the nonprofit, for-profit and government sectors in recognition that the challenge in establishing a global reporting standard for just and sustainable development is not in communicating the value of the idea, which for most informed actors is self-evident. Nor is it exclusively in creating appropriate metrics for sustainable development and social justice work, although this is delicate and more than a little daunting. The Keystone sponsors believe that it lies mainly in convincing and enabling those seeking and providing social investment to use the standard. And to do that, we believe there are two all-important determinants, legitimacy and benefit. Governance practices and a consultative development process will establish legitimacy. Benefits will be realized through direct services provided by Keystone to reporting organizations and through access to Keystone-linked sources of finance and capacity development support. Keystone is working with a number of leading social investment intermediaries to ensure that the Keystone Reporting standard will be attractive to social investors.

Put another way, part of the answer to the question, "Why is there not already a reporting standard for nonprofits?" is that the creation of the standard involves a simultaneous equation, a chicken and egg puzzle, that before now has not been solved. The reporting standard must be developed and demonstrated through a representative, participatory "from the bottom up" process such that those who utilize the standard will own it. This must be done in concert with the provision of new social investment capital and capacity development support to those making the leap to use the standard. This involves engaging the existing providers of social investment and training, as well as encouraging the creation of new Keystone-dedicated grantmakers and trainers. And there is an important scale dimension to the equation. It is a *common* standard, meaning that an essential element of its value lies in its application across diverse settings and different kinds of work; it is a whole system solution. Accordingly, its demonstration must represent systemic diversity.

Keystone believes that it is important to establish a *standard* and not merely a measurement and reporting framework, as a standard with currency in the marketplace has much greater power to address the root challenge of civil society organizations to establish their legitimacy as credible solvers of important social problems.

### MEASUREMENT: A CALCULATED RISK

Much of the language of this report indicates a belief in the positive benefits that derive from forms of social action that take a systematic approach to defining objectives, assessing performance, and communicating clear measures to diverse stakeholders. It sees these steps as constitutive of the kind of *accountability* that could generate much higher levels of financial and other support for citizen action for public benefit, as well as help drive higher returns from this support. Yet, we stress that we are not measurement fundamentalists! It is

extremely important, then, that we clearly articulate our theoretical underpinnings, as well as the risks and mitigations that we associate with the approach advocated here.

There is an important case to be made against standardized approaches to performance measurement. The challenge is introduced well in the foreword to an important new book from Canada's International Development Research Centre on "outcome mapping".

"[L]onger term outcomes and impacts often occur a long way downstream from program implementation and many not take the form anticipated. These longer term outcomes depend upon responsiveness to context-specific factors, creating diversity across initiatives. The outcomes examined include the depth and breadth of involvement by many stakeholders, processes that become results in and of themselves when done in ways that are sustainable. These characteristics make it difficult for external agencies to identify and attribute specific outcomes to specific components of their programs or to aggregate and compare results across initiatives."<sup>13</sup>

One leading performance measurement skeptic argues that the present moment is defined by an "intensifying paradigmatic tug-of-war" between a "top-down, donor-driven and bureaucratic" paradigm and an alternative participatory paradigm associated with "local diversity, differing values and evolving goals, and methodological pluralism and inventiveness."<sup>14</sup> The top-down paradigm is characterized by "targets set from above, donors with logframes, objectively verifiable indicators, impact evaluation in its cruder forms (overlooking multiple causation and multiple effects, ignoring counterfactuals, measuring and comparing only the measurable), and reporting upwards on achievements rather than sharing what has been learnt...The contrasting paradigm, which has been associated with much good management practice, tends to be participatory, more egalitarian, more flexible, concerned with what is less tangible and less measurable like relationships, and often with trust, empowerment and people."

The authors of *Outcome Mapping* note that the drive to measure longer term development impact (defined as changes in state – for example reduced poverty or conflict, cleaner air, or a more enabling policy environment) presents a paradox. "[W]hen donors and recipients try to be accountable for achieving impact, they are severely limiting their potential for understanding how and why impact occurs. The drive to claim credit interferes with the creation of knowledge. As one colleague has expressed it, the singular focus on results yields 'clueless feedback'." Moreover, the dominant practices of public sector donor agencies relating to impact contradict "the understanding of socially and environmentally sustainable development built up over 30 years of experience, research and evaluation".<sup>15</sup>

Keystone must avoid the impact traps many donor agencies find themselves in:

- Linear, "cause and effect" thinking contradicts the understanding of development as a complex process that occurs in open systems.

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<sup>13</sup> Sarah Earl, Fred Carden and Terry Smutylo, *Outcome Mapping: Building Learning and Reflection into Development Programs*, (IDRC, 2001).

<sup>14</sup> Personal communication from Robert Chambers to David Bonbright, 4 July 2003.

<sup>15</sup> Sarah Earl, Fred Carden and Terry Smutylo, *op.cit.*, p 6.

- Bureaucratized programming contradicts the relationships, vision, and values of socially sustainable development. Agreements and partnerships based on shared values are replaced by “bureaucratic trust” based on plans, budgets and accounts.
- Attribution of impact to donors contradicts the multiple endogenous contributions and conditions necessary for sustainable development. The more successful a programme is in achieving impact, the more the exogenous (donor) influence is supplanted by (sustainable) endogenous activities and organizations.
- The notion of “programme impact” contradicts the ongoing confluence of initiatives and conditions that affect social and environmental well-being. As the authors of *Outcome Mapping* note, “[d]evelopment does not occur in one, three, or five-year periods with a clear beginning, middle and end.” Individual programmes make differences that are incremental and cumulative rather than singular and dramatic.

The risk for Keystone is that reporting standards, like the search for impact, may tend to reinforce the top-down rather than the participatory approaches, and thereby end up doing more harm than good. Reporting standards do historically tend to be more about measuring for comparison and rating than about enabling organizations to perform better. The drive for comparability of reporting across organizations necessarily emphasizes what is more easily measurable over more complex realities. Rewards systems for “good” reports invite exaggeration and manipulation. The more the standard relies on an approach to quality assurance that utilizes independent professionals, the more formalistic it becomes.

## ASSESSING IMPACTS VERSUS ORGANIZATIONAL COMPETENCES

Keystone mitigates these risks in several ways that are expanded upon later in this report. Keystone is oriented toward predicting future performance rather than measuring past practice. It is necessary to take a studied view of past practice in order to gauge future performance, of course, but the difference in orientation is significant. Significantly, it shifts the focus of assessment away from development impacts. While reporting organizations properly steer toward contributing to defined development impacts, it is important to note that impact assessment does not necessarily provide the kind of information and feedback that organizations need to improve performance. Keystone focuses instead on those outcomes that can readily be logically linked to an organization’s activities. Namely, it tracks changes in the behaviour, relationships, activities or actions of the people, groups and other organizations with whom a reporting organization works directly. The level of linkage one is measuring is not necessarily one of direct causation, but rather one of contribution toward an observable change. To do this, Keystone monitors three kinds of information: changes in the behaviour of partners; the organization’s strategies and activities; and organization structure and systems (namely, the way in which it functions as an organization). Together, these types of information inform an understanding of *organizational competences* or capabilities.<sup>16</sup>

There are two hugely significant ramifications of this approach. The first is that Keystone is oriented to measure the right things. Development practice teaches that the key success factor is inevitably the degree to which power and responsibility are devolved to endogenous actors. Keystone is designed to measure progress on this key success factor. More is said about the theoretical importance of this focus in the next section of this report. The second

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<sup>16</sup> Definitions in this area are unsettled. Keystone distinguishes between *competences*, which reside in individuals and in themselves do not constitute an *organizational competence*. Organizational competences – or *capabilities* – describe the potential of a system to perform a particular activity, typically made up of more than one competence and are expressed through the organization.

notable point is that the essential accountability of the reporting organization is for learning, not for measuring development impact. Keystone reports will demonstrate the degree to which an organization is improving its effectiveness and progressing toward impacts. Intended development impact is not the “yardstick” against which performance is measured, but rather a “directional beacon”. “Thus the threat of failing to discover ‘hidden attribution’ is eliminated when feedback on performance concentrates on improving rather than proving, on understanding rather than reporting, and on creating knowledge rather than on taking credit.”<sup>17</sup>

For reporting organizations, the Keystone reporting standard is best used as part of an integrated cycle of planning, monitoring and evaluation. Keystone requires reporting organizations to correlate their own organization specific data indicators to core Keystone indicators. Like the IDRC outcome mapping approach, it is designed to enable an organization to tell its performance story by “...providing a framework for it to design and articulate its logic; record internal and external monitoring data; indicated cases of positive performance and areas for improvement; evaluate intended and unexpected results; gather data on its contribution to changes in its partners; and establish priorities and an evaluation plan.”<sup>18</sup>

For social investors, the Keystone reporting standard offers an ongoing tutorial into the complex nature of “social returns on investment”. It leads social investors away from the Fool’s Gold of an “easy”, concrete measurement approach in favor of a something that is robust, credible and truly useful. It guides social investors into the kinds of trust-based, longer term approaches that matches with our present understanding of what is required to support sustainable development and social justice work; what is required to achieve impacts. Yet it does this while discriminating among capabilities, highlighting core capabilities, and identifying avenues for improvement.

## **DEVELOPMENT AS FREEDOM AND THE PRIMACY OF INDIVIDUAL AGENCY**

Despite what Amartya Sen has termed the “unprecedented opulence” that we have achieved in the past century, our world is fractured by “remarkable deprivation, destitution and oppression”. Keystone defines development as the process of overcoming these deprivations, which occur in all countries, not just poor ones. And most importantly, Keystone holds, along with Professor Sen, that “individual agency is, ultimately, central” to overcoming deprivations.<sup>19</sup> “With adequate social opportunities, individuals can effectively shape their own destiny and help each other. They need not be seen primarily as passive recipients of the benefits of cunning development programs. There is indeed a strong rationale for recognizing the positive role of free and sustainable agency – and even of constructive impatience.”<sup>20</sup>

Keystone is dedicated to enabling social investors to better see the extent to which their investments enable citizen self-organization for public benefit. It recognizes also that

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<sup>17</sup> Keystone is grateful to the authors of the IDRC outcome mapping approach for this important set of insights.

<sup>18</sup> Sarah Earl, Fred Carden and Terry Smutylo, *op.cit.*, p.11.

<sup>19</sup> This articulation of the Keystone theory of change draws heavily from Nobel economics laureate Amartya Sen’s seminal work, *Development As Freedom*, (Oxford University Press, 2000). Professor Sen is serving as an advisor to Keystone.

<sup>20</sup> Sen, *op cit.*, p 11.



individual freedom – what people can positively achieve – “is influenced by economic opportunities, political liberties, social powers, and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives. The institutional arrangements for these opportunities are also influenced by the exercise of people’s freedoms, through the liberty to participation in social choice and in the making of public decisions that impel the progress of these opportunities.”<sup>21</sup>

Following Professor Sen’s central insights into the nature of development as freedom, the Keystone reporting standard will explore the interconnections between societal arrangements, social values and prevailing mores, and individual agency. Specifically, the Keystone reporting standard will assist reporting organizations and social investors alike to *see and act upon* these interconnections. This approach underlies the orientation toward monitoring outcomes rather than impact, as described in the preceding section. It leads to a special concern with assessing the extent to which reporting organizations contribute to the expansion of “capabilities” of persons to lead the kinds of lives that they value.

The Keystone philosophy leads to an “inescapably pluralist” attitude toward *valuation*. When it comes to making social investment choices, there are many who wish for a mechanical index that implicitly rates organizations and in that way facilitates decision-making. Keystone strongly resists this temptation, as understandable as it is, and argues instead that it is important that the valuation exercise be explicit and open to public scrutiny. For reporting organizations, Keystone requires (and enables) them to articulate their theory of change by constructing the essential building blocks of their philosophies. For social investors, Keystone will enable them to make choices that are set within the domain of open public debate.

While Professor Sen has written at a philosophical level, one can take his articulation of these issues as a useful way of framing the requirements for reporting standards:

“Individual freedom is quintessentially a social product, and there is a two-way relation between (1) social arrangements to expand individual freedoms and (2) the use of individual freedoms not only to improve the respective lives but also to make the social arrangements more appropriate and effective. Also, individual conceptions of justice and propriety, which influence the specific uses that individuals make of their freedoms, depend on social associations – particularly on the interactive formation of public perceptions and on collaborative comprehension of problems and remedies. The analysis and assessment of public policies have to be sensitive to these diverse connections.”

As does Keystone.

## THE KEYSTONE REPORTING STANDARD

Keystone Reporting is the world’s first reporting standard for nonprofit, public benefit organizations that is grounded in a process of engagement with civil society organizations. It is conceived as an open non-proprietary reporting standard. Its principal purpose is to provide reporting organizations with access to new and better forms of social investment while providing social investors with greater social returns from this support.

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<sup>21</sup> Sen, *op cit.*, p 5.



The Keystone Reporting standard will be designed along two interdependent tracks. One track involves a set of pilot demonstrations with stellar partners to begin in January 2004. The other track involves convening a global dialogue concerning the current situation and future needs for accountability and transparency in civil society organisations as a means for enhancing their ability to secure adequate investment to underpin their contributions to development.

Keystone Reporting is in essence a reporting framework that enables the competences of reporting organizations to be tracked, compared (i.e., rated), and aggregated. It captures key factors predictive of future performance, such as outcomes from past work (defined as changes in the behaviour, relationships, activities or actions of the people, groups and other organizations with whom a reporting organization works directly), organization structure and systems (including people, governance, commitment, entrepreneurial quality, resource base), and strategies (including ongoing activities and underlying theories of change).

Keystone Reporting is evolving through a broadly based participatory design and development process while drawing from experience from the fields of development evaluation and impact assessment, organizational capacity assessment, and recent perspectives from venture philanthropy and of corporate sustainability reporting (which reports on and rates the non-financial aspects of corporate performance).<sup>22</sup> The Keystone pilot process engages at both ends of the social investment transaction – with citizen organizations and social investors – and is explained further in the [Plan of Action](#) section of this report.

Keystone Reporting is designed to yield several kinds of benefits:



1. Reporting organizations will gain access to new finance (on better terms). They will enhance their own accountability and organizational learning processes through strengthened real time feedback. They will be able to benchmark themselves against others addressing similar problems, highlighting relative performance and the factors

<sup>22</sup> We agree entirely with Emerson and Bonini when they conclude, “The process by which standards are set and reporting goals established should be one in which practitioners are intimately involved. The importance of ‘metrics’ is not simply to assure investors that capital is achieving its highest and best use, but also to provide managers with the information they need to create more effective and efficient strategies of practice. In order to achieve this goal, data must be credible and useful to those in positions to improve practice and performance.” *Op. cit.*, p. 91.

determining performance, making it easier and faster to influence others and to identify, adopt and spread best practices.

2. Individual social investors, organized philanthropic institutions, and social investment marketplaces will be able to rely on credible information to make plausible predictions about the future performance of the organizations they might want to invest in.
3. Data aggregated from a set of reporting organizations will enable more robust insights into what is happening in a given area – capabilities, gaps, success factors, and interrelationships – in a way that will enrich the macro view to guide policy and enable multi-sector partnerships.

The main features of the Keystone Reporting standard include:

Ratcheted reporting. Individual agency and diversity are the most essential elements of citizen action for public benefit. Measuring and reporting against this irreducible complexity is a central challenge for Keystone. One important – and highly practical -- design feature of the reporting standard is to take a carefully graduated approach. Keystone Reporting is graduated along two dimensions, organizational stage of development and time.

Reporting requirements are linked first to the stage of development of organizations. Small and more informal groups may simply profile who they are and what they do, thus gaining a foothold on the ladder leading to formal accountability and accessing new resources. Larger and more established organizations are required to provide more information. At every point on the Keystone reporting requirements spectrum there will be attention to keeping it as simple and easy to use as possible. At the same time, in line with the objective of accessing social investing, the standard will actively prompt organizations to provide the information required to meet legal and tax requirements for giving, as well as the most basic concerns that donors have regarding accounting for fund allocation and utilization.

Over time, however, Keystone requires all organizations to ratchet up their reporting. Thus, after 12 months a new and informal group that began Keystone reporting with mere profiling would progress to providing baseline data against which it would assess its performance, as well as some data on performance indicators that it was now tracking systematically.

Ratcheted time-based requirements will enable a reporting organization to develop original feedback loops that generate reports that evolve over time into forms that allow more robust comparison with data from other organizations. In other words, Keystone is a reporting framework that enables organizational reporting to evolve over time in ways that enable the higher-level systemic benefits deriving from comparing and aggregating data across organizations.

Open, inclusive and participatory. As the ratcheted approach implies, Keystone report production must be and is participatory and developmental rather than top-down and punitive. Indicators, metrics and reporting practices are customized by individual reporting organizations through participatory processes within the organizations. The Keystone standard provides guidelines and principles to assist organizations in this task, but not checklists or blueprints. The emphasis is on how the Keystone system can

enable organizational learning (create a strong feedback loop) and to provide access to tangible benefits – i.e. finance, linkages, and recognition – for the good work that the organizations undertake.

Put another way, Keystone Reporting is designed as an “opt in” system. It is not a way to “screen out” any group according to some predetermined criteria. It enables any organization using Keystone Reporting to create an effective feedback loop, build capacity, improve performance, benchmark themselves against similar organizations, and, most importantly, gain access to new sources of support.

At the same time, to look at it from the social investor perspective, Keystone Reporting enables investors to screen out organizations that do not meet their particular requirements, including any legal and tax requirements.

Capacity development. While they have much in common, social investing differs from stock market investing in an instructive way. Investing in stocks is essentially about picking winners. Investing in public benefit organizations is about realizing society's potential to solve longstanding problems such as poverty, social exclusion, disease, corruption, criminality and violent conflict. One could say it is about “picking potential winners” and working out how to help ensure that they do in fact win. Social investing must be *developmental* in a way that commercial investing is typically not, but venture capital often is. It should bring analysis, finance and capacity-related elements together in a flexible package of support for investees.

Keystone reflects this capacity development imperative of social investing intrinsically and through supplementary support services. In its intrinsic dimension, the Keystone Reporting standard provides reporting organizations with guidelines, tools, and systems to improve the ways they understand and track performance. The Keystone Reporting materials embody an analytical framework and include detailed “how to” materials that in themselves will enable most organizations to strengthen their learning and reporting capabilities. It will work in much the way good computer software works and in fact includes a variety of technology applications. It is important to note, however, that the vast majority of the world's citizen organizations have limited access to technology and the Keystone Reporting is designed by and for these organizations as well. Keystone is not dependent on reporting organizations having computers and other information and communication technology.

Keystone recognizes that even the best self-learning systems require external support, and in order to ensure that Keystone Reporting benefits worthy groups everywhere, Keystone is establishing a separate training and technical support programme called Keystone Learning. Keystone Learning's outcome-based educational modules, which are based on an distance learning system for development management education developed by the Aga Khan Foundation, will both prepare groups to use Keystone Reporting, and enable those with the requisite capacity already to adopt Keystone Reporting efficiently. [Appendix 2](#) sets out the basic features of Keystone Learning, while the [Plan of Action](#) section of this report describes the process envisioned to arrive at a set of stated deliverables over 36 months.

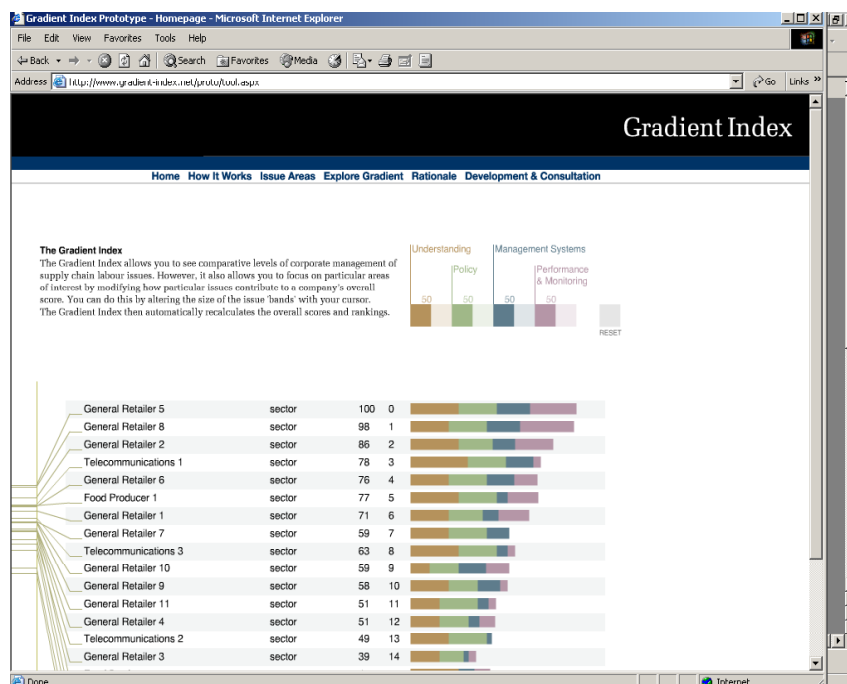
Capability-based analysis. Keystone is oriented toward predicting future performance rather than measuring past practice. It monitors types of information that inform a robust understanding of organizational competences, including highlighting core competences.

The background and rationale for this approach are set out under the [Measurement: A Calculated Risk](#) and [Assessing Impacts versus Organizational Competences](#) sections in this report.

It is important to note one particular capability that Keystone will track that relates particularly to the act of social investing: organizational absorptive capacity. Historically, a great deal of damage has been done to promising organizations by well-meaning social investors swamping them with funds. Keystone Reporting mitigates this tendency by tracking an organization's capability to make effective use of funds at a given level over given periods of time. It will also open ways to increase this amount. In other words, Keystone Reporting will be tethered to a specific "ask" – defined as funds required over a specified period. Social investors will be able to see at any point how much funding has been raised against this "ask". A principal corollary benefit of Keystone will be the generation of multiyear funding. Given adequate reporting, for example, the "ask" could be for the five-year rolling budget for an organization.

Graduated external verification. External and independent verification of reports adds to their credibility and therefore enhances their effectiveness. In designing a system for verification, Keystone must balance the benefits that derive from increased credibility with questions of financial cost and levels of effort. It contemplates a graduated approach along a spectrum of verification actions. At the basic "entry level", there would be no requirement for external checks. A very low-cost "peer review" approach is projected for most organizations. It relies primarily on voluntary inputs from stakeholders and peers and systematically incorporates the perspectives of those in a position to directly assess reporting data. At the far end of the spectrum, large organizations seeking significant amounts of funding would undergo professional audit and assurance.

Flexibility in prioritising rating aspects. Just as one size does not fit all for measurement, when it comes to serving investor requirements, flexibility and usability are the hallmarks. Investors will be able to set their own ratings based on their own prioritisation



of various aspects of the reporting framework. For example, an investor that believes that policy impact is particularly important can boost the value of policy impact data against other factors in order to set her own weightings for rating a particular set of reporting organizations. This allows the investor to sift through large numbers of organizations and hone in on the subset that are most aligned with that investor's own strategic priorities. At the same time, by working through the logic and explicit priorities in the Keystone standard, the investor will encounter a set of considered professional judgements about a particular set of organizations, and about the field in which they work. By creating indexes and other aggregations of reporting organizations, Keystone will contribute to the ongoing debates about how to best eliminate social deprivations and to advance equity-oriented change. AccountAbility has experience in developing numerous indexes and rating systems covering various aspects of organisational performance and accountability. One example of this is the Gradient labour supply chain standards rating system, a working pilot of which can be viewed at <http://www.gradient-index.net/>. The attraction of this approach is that it allows the user/audience to re-weight criteria according to their own preferences and concerns, and then view a rating based on that selected weighting.

In synthesis, it is useful to understand the Keystone Reporting standard as a commitment to a formally structured mode of inquiry into capabilities. From the perspective of the reporting organization, there is a gradual progression through distinct stages involving self-profiling, tracking and reporting Keystone-required data, verification, and the comparison and aggregation of data with that of other organizations. Keystone asks reporting organizations to be accountable first and foremost for learning -- for constructing, strengthening and using feedback loops.

Keystone presents a case to social investors about why Keystone reports are "the best possible" avenue to higher returns from social investments. Keystone encourages social investors to comprehend the complexities of measurement through means that are in the first instance valuable to reporting organizations in terms of accountability, learning and outcome mapping.

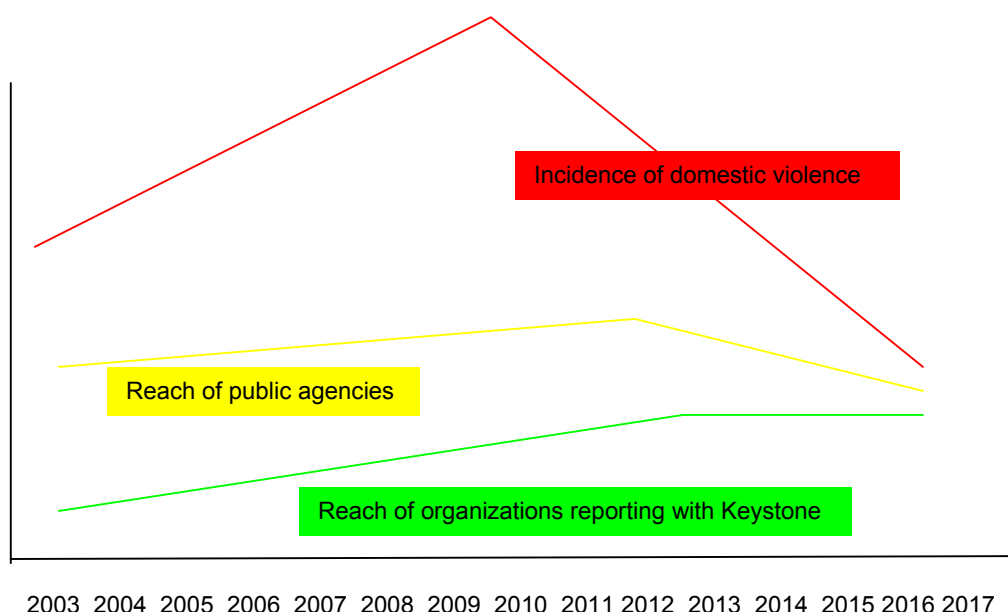
There is a view that most social investors are moved to donate to causes by what might be termed "hot indicators", such as images of starving children, or news of a famine or a natural disaster. This view holds further that givers are not particularly interested in information about results or "cold" data about performance. People are moved to give by stories (preferably very short ones) that touch their hearts.

Keystone responds with three points. First, accepting for the sake of argument that "cold indicators" do not now compel the most givers, Keystone asserts that when given a choice between investing in a project that has only hot indicators and one that has both hot and cold indicators, the overwhelming proportion of givers will opt for the one with both. The second point is that present understandings of social investing behavior are based upon a context in which we have weak performance data and highly mediated connections between social investors and the ultimate beneficiaries. The preconditions for effective social investment choice are not in place. Once these are in place, we can safely predict that the patterns of social investing will change significantly. Finally, it is useful to segment the social investor market and differentiate the way that Keystone might touch different market segments. The [pilot project partners](#) enable Keystone to test itself against distinct donor types.

## ENABLING MARKETS AND INNOVATIONS IN SOCIAL INVESTMENT

The Keystone Reporting standard enables the collation of reporting data in powerful new ways. It will be possible to create indexes and portfolios of organizations addressing common problems, or organizations working in a defined geographic area that can be readily assessed and adjusted by social investors. For example, an index of organizations working on domestic violence can be sorted by strategy and then ranked using a transparent weighting of other factors. A social investor interested particularly in domestic violence programmes that provided training to police and hospitals could readily spot and separate these for deeper analysis.

Keystone will collate and publish aggregations of reporting data using indexes and portfolios. It will also analyze and publish macro data that relates to the problems being addressed, such as -- continuing the domestic violence example -- reported incidents of domestic violence and survey relevant survey data. By bringing micro and macro data together in a common presentation, Keystone will be able to tell the overall story of progress against a problem. The graph below offers a rough example of the kind of visual representation that will be possible. In a "live" website version of this graph, it will be possible to click on trend lines to see the underlying analyses and data. In this case, the initial increase in the incidence of domestic violence reflects success in prompting more victims to come forward and report this stigmatised phenomenon. This counterintuitive finding -- that the more effective the organizations are, the worse the domestic violence problem at first appears to be -- is precisely the kind of professional acumen that Keystone will bring to the social investment context.



Past experience shows that levels of giving increase dramatically when it appears that we are closing in on a problem, with the classic example being giving patterns to organizations in the final stages of major disease eradication campaigns. Keystone will enable us to represent this "this problem can be solved and victory is near" sensibility across all social problems.



Keystone reporting and related data gathering and analysis creates the kind of informational and analytical basis for innovative new forms of social investing. In particular, it creates the kind of informational basis that markets require. This raises the question whether Keystone will be a rating agency or a social investment marketplace. Will Keystone be the nonprofit Moody financial investor rating service or a NASDAQ? The answer, paradoxically, is neither and both and the reason for this puzzling response is that it is at this point that the commercial analogies break down. As has been argued throughout this report, assessing performance of citizen organizations is a different and more complex affair than assessing corporate performance, although the two are converging as corporations move to account for the non-financial consequences of their operations.

We believe that Keystone or something like it is a precondition for the realization of significant new flows of social investment capital and for emergence of true markets for social investment.<sup>23</sup> At the same time, we note that it is in the greatest public benefit that Keystone or something like it becomes as common a standard as possible. Keystone Reporting will grow in value for all stakeholders – reporting organizations, social investors, governments, researchers, media, and society at large -- with each reporting organization and social investment vehicle that adopts it. The most practicable way to achieve the widest possible adoption of a standard – and to spur the greatest possible increase in social investment capital -- is to support existing service providers in this space, including existing organized philanthropies, philanthropy advisors, social investment matchmakers/ transactional services, and new philanthropy marketplaces.

Rather than operate its own marketplace for social investment transactions, then, Keystone is conceived as a set of services *for* existing and future social investment transactors. Keystone Reporting and Keystone Learning are meant to become essential tools for the growing set of institutions that promote social investing for sustainable development, including philanthropy advisors, transaction services, and researchers working on social investing and aid effectiveness. Keystone pilot projects are designed to model relationships across these different social investment intermediaries. More details of how this will work are set out in the [Financial Model](#) and [Plan of Action](#) sections of this report.

While traditional intermediaries, such as philanthropy advisors, are important Keystone stakeholders, Keystone has an affinity for market-like social investment vehicles whose early efforts at performance measurement and accreditation offer important lessons for the development of the Keystone reporting standard. A number of these are already in the process of forming agreements with Keystone and those indicated below are expected to be important Keystone partners.

- The Global Exchange for Social Investment (GEXSI) is an entrepreneurial consortium of corporations and development agencies that is co-evolving with Keystone. Keystone and GEXSI have formed a “deliberative committee” to enable joint review strategic opportunities. The GEXSI members – including Bain and Company, Deutsche Bank, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Foursome Investments, Open Society Institute, PricewaterhouseCoopers, and the Schwab Foundation for Social Entrepreneurship – are all committed to supporting both GEXSI and Keystone. And GEXSI has contracted Keystone to certify the “Initiative Providers” that constitute its unique selling point.

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<sup>23</sup> For an analysis of the “capital challenge”, and in particular the inefficiency of capital markets and the inadequacy of investment instruments, see Emerson and Bonini, *op.cit.*, from p. 63.

- GlobalGiving ([www.globalgiving.com](http://www.globalgiving.com)) is participating in building the Keystone Reporting standard with objective that organizations using Keystone Reporting be pre-qualified to list projects on the GlobalGiving web-based marketplace for social investing<sup>24</sup>. GlobalGiving features over 250 vetted projects from around the world that have been entered into the GlobalGiving market by highly reputable sponsors. In 2002, GlobalGiving launched its employee giving marketplace at Hewlett Packard, where it was featured in front of their 70,000 US employees.
- India's Give Foundation ([www.givefoundation.org](http://www.givefoundation.org)) operates "GIVE Online", a web portal that allows people to donate to organizations online, with a high degree of personalisation and assurance. Accountability and transparency, and the willingness to provide feedback to individual donors on how their money was used, are the key criteria for selection of groups for Give Online. It currently has carefully selected over 50 organizations for listing on GIVE Online, which is targeted at individual donors wanting to give small amounts that, through the power of an internet marketplace, can aggregate to large impacts. The site offers feedback to donors on how their money was utilized. The Give Foundation is one of the Keystone Reporting pilot project partners with a view to making Keystone its reporting standard.
- There are a number of efforts around the world to physical social investment markets as well. In Pakistan, the Aga Khan Development Network has established the Pakistan Centre for Philanthropy to "promote philanthropy as social investment". The Pakistan Centre for Philanthropy is now working with GlobalGiving and the Center for Global Development, to run a daylong social investment market, called a Development Bazaar, at which vetted projects will meet vetted donors. The selection process for the Development Bazaars will utilize Keystone Reporting. Similarly, in South Africa the Shuttleworth Foundation is operating what it calls an "Innovations Bazaar". The Shuttleworth Board has given the go ahead to co-evolve their bazaar, as well as the foundation's own approach to reporting, with Keystone.

In the advisory services space, Keystone is working with leading edge research-based actors such as New Philanthropy Capital in the UK and, in the United States, Johns Hopkins University's Comparative Nonprofit Sector Project, Harvard University's Hauser Center for Nonprofits, and the Center for Global Development to ensure that the Keystone Reporting piloting process is studied and evaluated with a view to contributing to thinking about innovations in social investing and their implications for the existing providers, including foreign aid.

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<sup>24</sup> GlobalGiving features over 250 vetted projects from around the world that have been entered into the GlobalGiving market by project sponsors such as Ashoka, Schwab Foundation, World Bank, UNDP, World Neighbors, IDEX, Women's Funding Network, and others. In 2002, GlobalGiving launched its employee giving marketplace at Hewlett Packard, where it was featured in front of their 70,000 US employees.

## ENHANCING OUTCOMES FOR ESTABLISHED GRANTMAKERS

While Keystone Reporting will generate data useful for any social investor, Keystone Reporting will work differently for different social investors. Organized philanthropies – such as the international private grantmaking foundations and the public development agencies – have professional staff dedicated to the task of assessing social investees. They need Keystone Reporting less to inform their own social investment decisions, than for two other vital objectives. First, Keystone Reporting is a way to enable those they support to attract other supporters, particularly from among individuals and for-profit businesses. Keystone will engage existing social investment institutions (private and public) to enable them to position their funding portfolios in ways that will leverage the considerably larger amounts of money available especially from individual givers. Second, Keystone Reporting offers a vehicle to extend the influence of organized philanthropies by publicizing their work -- results, field lessons, policy implications, analyses, and so on. There are hundreds, if not thousands, of organized social investment organizations operating internationally at a respectable professional standard that could realize these benefits through an association with Keystone. During its inception phase, Keystone will engage the key influencers of international philanthropy and aid to demonstrate this dimension of Keystone Reporting.

### Keystone and Established Foundations

The “New Philanthropy Foundation” is a hypothetical international grantmaking foundation that builds “portfolios” of public benefit organizations tackling a specific problem, and then matches these to social investors who invest in the “portfolio” rather than the project. A New Philanthropy Foundation-Keystone link up demonstrates five significant benefits.

- ❖ First, by reporting with Keystone, New Philanthropy Foundation portfolio members get access to new sources of funding.
- ❖ Second, by so doing, New Philanthropy Foundation is leveraging the funds of its original investors.
- ❖ Third, New Philanthropy Foundation’s experience and relationships can yield analytical insights that can inform the Keystone reporting framework, enabling New Philanthropy Foundation and its portfolio partners to expand their influence on the field in which they are working.
- ❖ Fourth, New Philanthropy Foundation will earn fees from investments in its portfolio partners that come from Keystone-enabled social investors.
- ❖ Fifth, since its portfolio members will continue to do Keystone reporting after New Philanthropy Foundation support ends, New Philanthropy will be much more able to assess the downstream outcomes from its investments.

## TRANSFORMING PUBLIC AWARENESS

In order to significantly increase the flow of financial, technical, intellectual and human capital to social entrepreneurs and other social organizations in developing countries, a new partnership between the private sector, civil society and governments will have to be actively constructed. For such an effort to succeed, a number of critical elements will have to be put in place at launch and sustained. Of these, none is more important than better information about the public benefit work of citizen organizations. Organizations reporting with Keystone will provide this information, and Keystone will make sure that it is collated and presented to those actors capable of undertaking strong cross-sectorial social marketing and public education.

Mobilizing support and participation across a broad spectrum of stakeholders will require a diverse community of leaders to develop and implement an informative and inspiring

campaign capable of engaging and igniting the public imagination. Such a campaign would need to utilize all available media platforms (e.g., television, radio, internet, direct mail, as well as a variety of live venues) and state of the art marketing and advertising techniques (e.g., public opinion surveys, focus groups, infomercials, advertorials, public service announcements, celebrity testimonials, teach-ins, etc.) in order to mobilize broad public/private support. In addition, cross-sectorial “thought leaders” and “key influencers” should, through a series of “Town Hall” meetings and other multistakeholder dialogic methods, be engaged in an on-going public dialogue/public education program. The primary goal of all these efforts would be to forge a new consensus in support of increased investing, lending and grantmaking for the creation of “public goods” and to promote social entrepreneurship throughout the developing world.

## Sponsors and Structure

The sponsors of this report have come together from diverse backgrounds around a common analysis and commitment. The institutions that have carried the Keystone idea to this point constitute a sample representative of the wide diversity of experiences, networks, faiths, nationalities and mentalities that is necessary to solve the simultaneous equation that will yield a generally accepted reporting standard for civil society organizations. These organizations -- AccountAbility, Aga Khan Development Network, Brugger and Partners, Earth3000, Inter-American Foundation, Medley Global Advisors, Nelson Mandela Foundation, Schwab Foundation for Social Entrepreneurship, State of the World Forum -- and the individuals championing Keystone to this point are introduced in [Appendix 3](#).

The 36-month Keystone demonstration will be overseen by a Steering Committee comprised of individuals influential among donors, experts and prospective Keystone users.

Simon Zadek of AccountAbility and Srilatha Batliwala of Harvard University’s Hauser Center for Nonprofit Organizations, serve as co-chairs of the Steering Committee. The Aga Khan Foundation’s David Bonbright will serve as Keystone chief executive. Recruitment is underway for 4 to 6 additional members able to represent perspectives from social movements, organized grantmakers, Latin America, Africa and Asia.

AccountAbility will serve as the legal custodian and interim secretariat for Keystone during the demonstration period.<sup>25</sup>

As an initiative to enhance the credibility of citizen organizations working for public benefit, Keystone’ own credibility will be a key success factor. Keystone will apply itself systematically to build its credibility through multiple

### Keystone Steering Committee

Srilatha Batliwala, Hauser Center, JFK School of Government, Co-Chair  
 Simon Zadek, AccountAbility, Co-Chair  
 David Bonbright, Aga Khan Foundation, Ex-Officio

Shahnaz Wazir Ali, Pakistan Centre for Philanthropy  
 Ernst Brugger, Brugger and Partners  
 John Goldstein, Medley Global Advisors  
 Pamela Hartigan, Schwab Foundation for Social Entrepreneurship  
 Carolyn Karr, Inter-American Foundation  
 Maritta R. von Bieberstein Koch-Weser, Earth 3000  
 Kumi Naidoo, CIVICUS: Global Alliance for Citizen Participation  
 Tom Rautenberg, State of the World Forum  
 John Samuel, Nelson Mandela Foundation  
 Lester Salamon, Johns Hopkins University, Comparative Nonprofit Sector Project

<sup>25</sup> For more information on AccountAbility, including its financial and non-financial accounts, explore the website at [www.accountability.org.uk](http://www.accountability.org.uk).

dimensions. Its substantive work will be undertaken with complete transparency and in an efficient and effective manner. It will give the highest priority to stakeholder engagement in every aspect of its work, and indeed both tracks of its the Keystone programme are grounded in an extensive consultative method. Its formal governance structure – the Steering Committee – is being put together in a way that consults with and represents the relevant constituencies. The legal custodian for Keystone is the world’s premier resource body for the field of accountability, AccountAbility. Keystone will benefit in addition through the fact that AccountAbility has on-going programmes, partners and networks working on metrics and reporting, corporate and partnership accountability, and reporting, assurance and other related accountability standards. Finally, the establishment of a permanent structure for Keystone that will safeguard its credibility is a formal objective of the design and demonstration phase.

More details on how implementation affects structure and organization are set forth in the [Plan of Action](#) section of this report.

## Other Players

Keystone is unique in offering a common reporting standard for civil society in the developing world. With a clearly differentiated product, the question with respect to the competitive landscape turns on how Keystone relates to similar actors. [Appendix 1](#) lists a number of “new social investment actors” by category. On the assumption that the some categories in that list are self-evidently distinguishable, this discussion focuses on those actors providing “data sets”, “assurance and certification” and “measurement and rating”.

While Keystone is not aimed at the relatively mature nonprofit sectors in OECD countries, it bears noting that there is nothing quite like Keystone in those markets either. Perhaps the closest is Guidestar, which digitises and publishes the tax filings of US (and prospectively UK) nonprofits on the web. This is an important stepping stone toward a reporting standard, limited by the nature and quality of the tax filing requirements, which are more compliance than performance oriented. Keystone Reporting is different in its concentration on that information most relevant to social investors seeking to maximize social returns on their investments. Where these kind of raw data sets are available in volume, however, Keystone’s work is eased, suggesting room for synergistic future marketing strategies.

The other actors producing data sets and indexes all operate at the macro level and are not producing performance or outcome data on individual organizations. Their work will be important as a complement to Keystone to contextualize micro level reporting. The membership of a pre-eminent actor in this arena – Lester Salamon of the Johns Hopkins Comparative Nonprofit Sector Project – on the Keystone Steering Committee underpins the Keystone capability to utilize macro data.

The concentration of attempts to develop nonprofit rating schemes is also in the nonprofit sectors in North American and Great Britain. In the United States, there are several actors embodying differing approaches and philosophies. *The Blended Value Map Report—2003* has undertaken the most exhaustive survey of extant efforts, concluding that there is “little consensus on how best to approach the creation of a single, commonly endorsed set of metrics by which to assess the performance on non-financial aspects of both organizations



and funds”.<sup>26</sup> There is nothing even remotely close aimed at nonprofits in the developing world setting. As is set out in the [Plan of Action](#) of this report, Keystone will actively solicit the participation of the developed world social impact measurers in its technical committee, as well as profile them through our [Global Dialogue on NGO Transparency, Accountability and Performance](#).

One distant cousin to Keystone, which crosses from developed to developing world, is the effort by child sponsorship agencies to develop a certification standard that would be administered through an independent agency. Several factors distinguish this effort. The child sponsorship standard is designed specifically for the unique characteristics of child sponsorship. Most importantly, it is geared more at organization systems and policies than at competences and performance outcomes. Clearly, however, there is much that Keystone can learn from it and Keystone has invited the principals to participate on the technical committee for Keystone.

Another related initiative, the Global Exchange for Social Investing (GEXSI) accredits established intermediary grantmakers on the assumption that it can increase the efficiency of the social investment marketplace by creating “certificate of excellence”. GEXSI has now contracted Keystone as its accreditation service provider, allowing GEXSI to concentrate on its market-making activities.

In the developing world, there are many diverse efforts at national levels to establish “codes of conduct” for nonprofits. With a few exceptions noted below, these are voluntary and not tending to any serious measurement. They do, however, provide an important reference point for Keystone. In its turn, Keystone can amplify the impact of these efforts in their own settings and internationally. Perhaps the most promising of the “voluntary norms and standards” projects is India’s Credibility Alliance. Keystone Reporting pilot project partner in India, the Give Foundation social investment portal, has been a lead adopter of the Credibility Alliance norms. Keystone, Give Foundation and Credibility Alliance are exploring how to advance all three efforts together.

There are two notable developing world initiatives that move beyond voluntary compliance. The Philippine Council for NGO Certification has established a national certification programme under statutory authority. It certifies the tax beneficial “donee status” for Philippine nonprofits. The Pakistan Centre for Philanthropy is currently developing an initiative modelled on the Philippine experience in collaboration with the Pakistan Central Board of Revenue. Both efforts are participating in Keystone Reporting pilot projects with a view to underwriting their programmes by adopting Keystone Reporting.

In their overall conclusions, Emerson and Bonini urge the creation of a “common agenda for action” to “create organizations, institutions and market mechanisms capable of maximizing economic value as well as social and/or environmental value”. They go on to single out Keystone as one of the seven specific projects “for immediate financial support” over the next 12 months. In their words,

The past decade has seen growing interest in creating internationally relevant reporting metrics to allow firms to document the impact of their work and leverage of received funding. The Global Reporting Initiative has made real inroads in this area with multi-national corporations, but additional work remains to be done with nonprofit entities.

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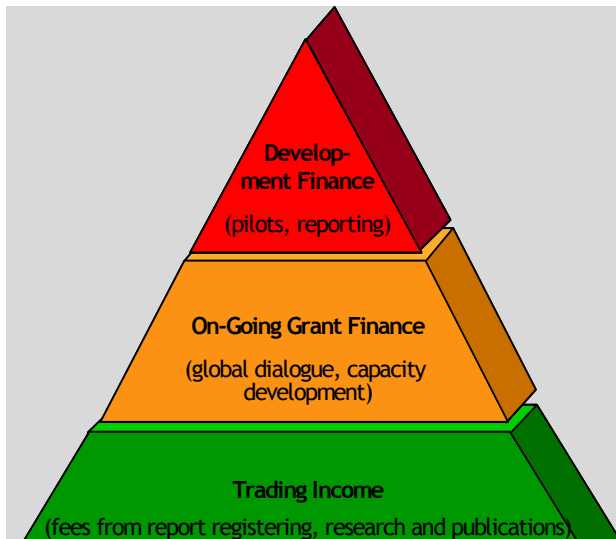
<sup>26</sup> Emerson and Bonini, *op. cit.*, p77.



While there are many individual efforts, one very promising, jointly conceived international initiative is the Keystone Project. Similar international efforts such as this should be supported and leveraged against other national/regional efforts in order to advance critical work in this arena.<sup>27</sup>

## Financial Model

There are three elements to the Keystone financial model: initial grant funding through proof of concept; earned revenues to meet a growing proportion of ongoing running costs; and



grants to meet the projected permanent gap between earned income and operating costs, as well as for discrete developmental or expansion costs.

Despite its permanent element of grant funding, this is presented as a financially sustainable model. It is important to bear in mind that Keystone is being developed as a “public good” and as such will incur costs that are not normally fully recoverable through fees. We know of no example of a fully fee-for-services financed civil society infrastructure service provider anywhere. If examples

of earlier generations of civil society service providers are anything to go by, the proportion of earned revenues should plateau above half but remain well below 100 percent.

The current annual flow of social investing in the developing world, public and private, is approximately USD 85 billion. Keystone aims to increase the quality of that USD 85 billion as well as stimulate significant new flows. If we take the ongoing Keystone grant requirement as USD 2 million, this translates to two one-hundredths of one percent of current annual social investment flows to the developing world. Even a modest Keystone contribution to the quantity and quality of developing world social investment would appear to justify this level of ongoing grant support.

## Plan of Action

Keystone planning indicates two inter-dependent tracks. One track is projected for a 36-month period and will design and demonstrate appropriate accountability mechanisms and tools, notably a reporting standard, that can effectively enhance the transparency of civil society organisations, generate necessary learning and organisation development to improve performance, and thereby raise their overall effectiveness, including their ability to secure resources. The other track involves convening a global dialogue concerning the current situation and future needs for accountability and transparency in civil society

<sup>27</sup> Emerson and Bonini, *op.cit.*, p.134.

organisations as a means for enhancing their ability to secure adequate investment to underpin their contribution to development.

## **GLOBAL DIALOGUE ON NGO TRANSPARENCY, ACCOUNTABILITY AND PERFORMANCE**

The Global Dialogue would begin with an initial convening that itself would be the first time that a community of interests joined together as part of an extensive, two-year examination on this crucial subject. The aims of the initial convening would be to:

- Initiate the Global Dialogue and agree next steps (e.g., regional meetings and working groups around practical mechanisms).
- Enable not only analysis/perspectives, but also practical and innovative approaches to the matter, to be profiled and debated.
- Build a crucial constituency behind the legitimacy and role of the Global Dialogue, including forming mutually beneficial relationships with other related initiatives, including: the CIVICUS-Hauser Centre joint project “Civil Society Legitimacy, Transparency and Accountability”, Social Enterprise Ethics Initiative (NESsT), the Humanitarian Accountability Project, One World Trust’s Global Accountability Project, the International Council of Human Rights Policy’s work on legitimacy and accountability of human rights organizations, and the UN Global Compact-SustainAbility study “The 21st Century NGO: In the Market for Change”.
- Introduce and debate Keystone and other proposals for developing and piloting appropriate reporting and rating tools, and in this context to introduce and profile the Keystone initiative as a whole, its founding and governing members, and its partners on the ground with whom pilots will be run.
- Present Keystone to a range of possible additional partners going forward, including potential piloting partners, longer-term participants in the Global Dialogue, and funders.

The first convening would aim to bring together key individuals and organisations from around the world with expertise, experience, thought-leadership and institutional leverage.

The proposed 50-75 carefully selected participants would be drawn from:

- *Civil society organisations*, including network bodies (e.g. CIVICUS, Asia-Pacific Philanthropy Consortium), intermediary organisations (e.g. Ashoka, LEAD International), advocacy organisations (e.g. Third World Network, Credibility Alliance), etc.
- *Foundations and public agencies*, including key players from each region (e.g. Inter-American Foundation, Nelson Mandela Foundation, Ford Foundation, Schwab Foundation).
- *Business community*, focusing on both individual progressive companies, and engaged business networks.
- *Other convening organisations and networks* (e.g. the Sustainability Forum).

Dates for the initial convening will be decided after consultations with key actors in this space, including at forums taking place in early 2004 such as the World Social Summit (Mumbai, January), the World Economic Forum (Davos, January), and the CIVICUS World Assembly (Gaborone, March).

## **ACTION RESEARCH DEVELOPMENT PROCESS**

In order to build a robust and fully tested reporting standard, we envision an action research process that iterates successive versions of the reporting standard with field trials. Field trials are clustered in “pilot projects”, described below, that represent key vectors for Keystone. The method brings pilot project partners together along with technical experts at regular

intervals over the 36-month period to exchange and synthesize experience in successive drafts of the reporting standard.

**Organizations Expressing Interest in Helping to Build Keystone**

AccountAbility  
 Aga Khan Development Network  
 Alliance magazine  
 Ashoka: Innovators for the Public  
 Asia-Pacific Philanthropy Consortium  
 Avina Foundation  
 Care International  
 Center for Global Development  
 Civicus  
 Credibility Alliance (India)  
 Give Foundation (India)  
 GlobalGiving  
 Global Exchange for Social Investing (GEXSI)  
 GTZ (Germany)  
 GuideStar (International)  
 Humanitarian Accountability Project  
 Johns Hopkins University Comparative Nonprofit Sector Project  
 Harvard University Hauser Center for Nonprofit Organizations  
 Harvard University's Global Equity Initiative  
 Inter-American Foundation  
 Inter-American Network of Corporate Foundations and Actions for Grassroots Development (RedEAmerica)  
 LEAD International  
 Liberty Life Foundation (South Africa)  
 Medley Global Advisors  
 Metanoia Fund's Global Action Network Net (GAN-Net)  
 Nelson Mandela Foundation (South Africa)  
 New Philanthropy Capital (UK)  
 Pakistan Centre for Philanthropy  
 Philippine Council for NGO Certification  
 Rajiv Gandhi Foundation (India)  
 Schwab Foundation for Social Entrepreneurship  
 Shuttleworth Foundation (South Africa)  
 Southern Africa Grantmakers Association  
 State of the World Forum  
 Sustainability Forum (Europe)  
 Synergos Institute  
 World Bank  
 World Economic Forum  
 Worldwide Initiative for Grantmaker Support (WINGS)

Technical experts, which will come together in a Technical Committee, are chosen to ensure that diverse approaches to measuring sustainable development and accountability are represented, including leaders from the “participatory school” who bring a healthy scepticism to the process.

The Steering Committee will also typically meet with the Technical Committee and the pilot project leaders, completing three intertwining fibres of engagement in the Keystone Reporting production cycle – field, expert, and governance.

A “zero draft” of Keystone Reporting will be released after consultation with leading practitioners and thinkers from the fields of social change, social investment and financial investment. It will include guidelines geared at two different categories of user: organizations that will report to the framework and social investors that will use it to assess and track organizations. The method of stakeholder engagement will follow that developed successfully by AccountAbility through its AA1000 series, which is designed to improve accountability and performance by learning through stakeholder engagement. More generally, AccountAbility's proven track record in creating and promoting standards for corporate social reporting forms a vital element in Keystone's technical capability.

In addition to working directly and intensively with formally designated pilot project partners as is described below, Keystone will publish the successive versions of the standard on the web for possible field testing by anyone. Organizations that beta-test Keystone in this way will be provided with guidelines for using Keystone and their written feedback will be solicited and incorporated into the Keystone design process.

The pilot projects are organized around key influencer constituencies for Keystone and their members chosen according to two preliminary and four primary criteria. The preliminary criteria are

commitment and capacity to contribute to the co-evolution of a generally accepted reporting standard for civil society organizations worldwide. The first primary criterion looks to real depth on a thematic area or problem (such as HIV/AIDS, human rights, or underemployment). Second, we are seeking a geographic balancing of to demonstrate both

global application and enable some economy of logistics and management. Third, we are exploring across different segments of the donor market. Fourth, in the partners working in the pilot projects we are looking for organizations that will be able to help take Keystone Reporting to global scale after the demonstration phase. Taken as a set, they should inform all of the elements required to demonstrate Keystone.

The pilot projects profiled briefly below should be read as illustrative rather than determinative. Where organizations are named, in principle commitments are secured or discussions around participation in the pilots are seriously engaged.

### **Certification and Self-Regulation**

Two developing world governments have delegated responsibility for the determination of tax beneficial nonprofit status to third-party organizations, the Philippines and Pakistan. Keystone is working with the Philippine Council for NGO Certification and the Pakistan Centre for Philanthropy to integrate Keystone Reporting with their respective certification schemes. In addition, Keystone will actively seek to collaborate with and build on significant standards certification initiatives – some self-regulatory in nature and some third-party -- in a number of countries where codes of conduct or quality standards have been formalized, including Brazil, India, Indonesia and Mexico. There are voluntary NGO “code of conduct” type initiatives in most developing countries and these will always be a first port of call for Keystone.

### **New Social Investment Marketplaces**

The perspectives and requirements of social investment exchanges are especially important for Keystone as they represent the leading edge of social investment in the world today. Keystone Reporting is particularly well suited to support and enable them. Keystone is already working with three of the most promising of these actors – GEXSI, India’s Give Foundation, and GlobalGiving – to make Keystone Reporting the primary performance measurement standard for their markets, and we will actively reach out to others that we encounter. In the case of GlobalGiving, this involves both the GlobalGiving web portal and the physical marketplaces through the Development Bazaars, which will debut in Pakistan in 2004 in partnership with the Aga Khan Foundation and the Pakistan Centre for Philanthropy. In South African, the Shuttleworth Foundation’s “Innovation Bazaar” is modelled on the Development Bazaar and will also incorporate Keystone. GEXSI has contracted with Keystone to certify the “Initiative Providers” that constitute its unique selling point.

### **Associations of Grantmakers**

Another important medium for spreading Keystone is the growing movement of “philanthropy support”. Keystone is working with the global resource body in this field – the Worldwide Initiative for Grantmaker Support (WINGS), as well as regional efforts – such as the Southern Africa Grantmakers Association, the Asia-Pacific Philanthropy Consortium, a fledgling network of corporate foundations in Latin America (called, provisionally, the Inter-American Network of Corporate Foundations and Actions for Grassroots Development, RedEAmerica), and the East African Association of Grantmakers to design Keystone Reporting trials that would involve local grantmakers and their grantees piloting Keystone together. These trials would tailor make an Keystone product that grantmaker support bodies around the world could provide to their members on an ongoing basis.

### **Key Influencers Among Organized Grantmakers**

Keystone is building understandings with leading grantmaking organizations that would lead to mainstreaming the Keystone standard into their ordinary operational requirements. The Inter-American Foundation and Nelson Mandela Foundation have been early leaders among the leaders. They and others will form field trials that will contribute an important scale dimension.

With over thirty years experience in funding grassroots development in Latin America, the Inter-American Foundation is arguably the world leader in its field. Inter-American Foundation brings its Grassroots Development Framework to Keystone, and will pilot Keystone Reporting across its 330 plus community of grassroots development grantees in Latin America and take the lead in managing the Latin American dimensions of the grantmakers association pilot activities.

The Nelson Mandela Foundation is adopting Keystone Reporting as its reporting standard for its rural schools project (involving 120 schools), as well as for a joint venture with Liberty Life Foundation in educational television broadcasting, Mindset. The reporting standard will co-evolve with these new projects.

### **Diaspora Philanthropy**

Recent years have witnessed an upsurge in social investing by communities of professionals from the developing world living outside their homelands. Dubbed “diaspora philanthropy”, these social investors are primed to participate at much higher levels in the development of their homelands, but lack mechanisms to identify and track worthy investees. Keystone is working with diaspora philanthropy support projects, such as the Pakistan Centre for Philanthropy and the Harvard University’s Global Equity Initiative, to design an Keystone diaspora philanthropy pilot project.

### **Social Entrepreneur/Leadership Networks**

One of the important new institutional features on the landscape of sustainable development is the emergence of worldwide networks of change leaders. These changemakers offer a powerful seedbed for spreading new approaches to investment in sustainable development, such as Keystone Reporting. Keystone is working on a pilot basis with four of the leading global networks of this kind:

- The Schwab Foundation Social Entrepreneurship is offering its 110 social entrepreneurs – all leaders with proven innovations in their fields – the opportunity to participate in Keystone pilot design activities.
- The CIVICUS: World Alliance for Citizen Participation has adopted NGO legitimacy, transparency and accountability as one of its core programme areas. In that theme it is playing a key role in supporting and synthesizing the various types of NGO accountability initiatives at national, regional and global levels. CIVICUS chief executive Kumi Naidoo sits on the Keystone Steering Committee and CIVICUS is featuring Keystone as an important NGO accountability mechanism at its next global assembly in March 2004. With respect to the design process, CIVICUS will ensure that the Keystone reporting standard is learning from and contributing to other important NGO accountability initiatives.
- The oldest and largest venture support firm and professional academy for social entrepreneurs, Ashoka: Innovators for the Public, has agreed to join the Keystone piloting process. As with Schwab, a selection of Ashoka’s 1,600 leading social entrepreneurs is expected to join in pilot activities.



- LEAD International is currently seeking to mobilize its network of 2,000 Fellows in the collective pursuit of measurable sustainable development outcomes, and has decided to develop some of these activities using Keystone disciplines.

### **Global Private Development and Humanitarian Agencies**

The largest private development and humanitarian agencies offer an opportunity to pilot Keystone at scale while utilizing the considerable infrastructure of these organizations. CARE International, for example, has 10,000 staff, 11 country offices, 2,000 plus developing world partner organizations, and a footprint touching over thirty million people. Humanitarian organizations have recently come together to create an accountability project that has indicated an interest in strengthening codes of conduct. The Humanitarian Accountability Project is a natural pilot project partner for Keystone. Similarly, child sponsorship agencies have taken steps to establish an independent certification programme to provide assurance to givers of the efficacy and integrity of their work.

Keystone aims to include two or three from among the leaders of these organizations in the design and development process.

### **Governments, Public Development Agencies and Macro Data**

A more intensive relationship with public development agencies and governments is projected after the Keystone 36-month design and development phase. Accordingly, Keystone engagements now will be to build the basis for this future relationship and to ensure that Keystone benefits from the diverse, widely distributed and hard to access information about citizen organizations performance that resides in the aid system. Moreover, the OECD, World Bank and UN agencies have taken the lead in building the macro picture of development. Keystone will actively engage these global development agencies not so much as partners in implementing field trials – although these may be agreed upon – but to ensure that the Keystone standard is relevant to their needs and is positioned to benefit from their experience and knowledge.

## **OUTPUTS AND OUTCOMES**

At the end of the 36-month design and demonstration period the essential features of the model will be refined and tested sufficiently to begin a worldwide rollout. Outputs and outcomes will include:

- The Global Dialogue on NGO Transparency, Accountability and Performance
- The Keystone Reporting standard
- “Using Keystone Reporting” manuals
- Keystone Learning modules on “Using Keystone Reporting” (including an e-course version) and a programme to train, license and support Keystone Learning providers
- Partnership models (including model contracts, guidelines and visible work product) for Keystone-enabled marketplaces, Keystone Learning providers, and other Keystone users
- A representative sample of Keystone reports – both from individual organizations using the Keystone standard and Keystone indexes and portfolios that demonstrate the way in which social action data can be aggregated, compared and presented using Keystone
- The technology platform for Keystone Reporting and Keystone Learning
- Case studies of the pilot projects that demonstrate significant improvements in the capability of project partners to measure and communicate performance



- A strong global consortium of seekers of social investment, social investment intermediaries, and social investors committed to using and scaling Keystone Reporting
- Blueprints for the organization or organizations to evolve and sustain Keystone Reporting and Keystone Learning after the demonstration period described in this report
- An independent evaluation and case study of the Keystone development process perhaps in collaboration with the Harvard University Hauser Center on Nonprofits

# Appendix 1: New Social Investment Actors

## SOCIAL VENTURE CAPITAL PROVIDERS

- Acumen Fund
- Ashoka: Innovators for the Public
- Austin Social Venture Partners
- Calvert Social Venture Partners
- Center for Venture Philanthropy
- The Chicago Public Education Fund
- Dallas Social Venture Partners
- The Echoing Green Foundation
- The Entrepreneurs Foundation
- Full Circle Fund
- The Fund for Social Entrepreneurs
- Impetus Trust
- Initiative for a Competitive Inner City
- Legacy Ventures
- Millennium Development Finance Corporation
- Morino Institute
- NESsT
- National Social Venture Competition
- New Profit Inc.
- New Schools Venture Fund
- Philanthropic Ventures Foundation
- Pittsburgh Social Venture Partners
- Social Venture Partners
- The Roberts Enterprise Development Fund
- The Robin Hood Foundation
- Silicon Valley Social Venture Fund
- Venture Philanthropy Partners

## DEAL AND MATCH MAKING

- Ashoka's Entrepreneur to Entrepreneur Programme
- Donors Choose
- Garage.com
- Global Exchange for Social Investment (GEXSI)
- GlobalGiving
- Give Foundation (India)
- Investors' Circle
- SEA-Change.org
- Schwab Foundation for Social Entrepreneurship
- Social Venture Network
- Young Entrepreneurs Organization

#### **NEW VEHICLES FOR DONOR LEARNING, COLLABORATION AND INVESTING**

- Acumen Fund
- Bertelsman Foundation
- Council for the Encouragement of Philanthropy in Australia
- Digital Partners
- Global Legacy
- Global Philanthropy Forum
- New Tithing
- Rockefeller Foundation Philanthropy Workshop
- Schwab Foundation for Social Entrepreneurship
- Synergos Institute Global Philanthropists Circle
- UnLtd (UK)

#### **GIVING PORTALS**

- All About Giving
- Just Giving
- Network for Good
- NetAid
- SmartChange

#### **FINANCIAL INSTRUMENTS FOR POOLING RESOURCES AND LENDING**

- Charity Bank
- Venturesome
- International Guarantee Fund

#### **DONOR ADVICE AND CONSULTING**

- The Bridgespan Group (Bain & Co.)
- Charities Evaluation Services (UK)
- Foundation Strategy Group
- McKinsey & Company
- Monitor
- The Philanthropic Collaborative
- The Philanthropic Initiative
- New Philanthropy Capital (UK)
- Rockefeller Foundation / CAF India “donor dialogue” scheme
- Rockefeller Philanthropy Advisors

#### **RESEARCH AND PUBLIC EDUCATION ON PHILANTHROPY**

- Center for Effective Philanthropy
- Centre for Global Development aid effectiveness research
- Global Leaders of Tomorrow Benchmarking Philanthropy Task Force
- Independent Sector Measurement Project

#### **DATA SETS, RESEARCH AND INDEXES ON NONPROFITS**

- GuideStar
- CiviNet
- CIVICUS Civil Society Index
- International Society for Third Sector Research

#### **MEASUREMENT AND RATING**

- B2P Impact Manager
- Center for Effective Philanthropy's Grantee Perception Report
- Center for What Works Benchmarking Primer
- Charity Navigator
- ForeignAid.com
- International Committee on Fundraising Organizations
- Measuringphilanthropy.com
- MicroRate
- Ministry Watch
- New Economics Foundation
- New Profit Inc.'s Balanced Scorecard
- Philanthropix
- Roberts Enterprise Development Fund's Social Return on Investment Model
- Wise Giving Alliance (a merger of National Charity Information Bureau and Better Business Bureau)

#### **ASSURANCE AND CERTIFICATION STANDARDS**

- AccountAbility AA1000 Series (corporate sustainability)
- CAF India-Government of India Validation Project
- Child Sponsorship Certification Standard 8000
- Credibility Alliance (India)
- Global Reporting Initiative (corporate sustainability)
- Pakistan Centre for Philanthropy – Government of Pakistan Central Board of Revenue Certification Programme
- Philippine Council for NGO Certification
- Social Accountability International (fair trade and fair labour)

## Appendix 2: Keystone Learning

In order to ensure worthy groups can use Keystone Reporting, Keystone supports training and other capacity-enhancing services for potential investees through an outcome-based learning system for currently used by the Aga Khan Foundation and known as Enhanced Development Management Education (eDME).

Using eDME, Keystone will recruit, train and license independent development management providers to deliver a core Keystone curriculum.<sup>28</sup> The eDME method involves dynamic interaction between the “core curriculum” and field-based providers, who adapt the core curriculum to local contexts and languages. The Keystone Learning curriculum can thus be seen as a joined up field-based learning commons, with learning modules that are derived from and delivered by existing management education providers.

In addition to modules created specifically to enable groups to use Keystone Reporting, Keystone Learning will offer a “core curriculum” containing six clusters of modules:

- i. Accountability: organizational governance, performance and outcome measurement, stakeholding, and communications.
- ii. Financial and project management (including common planning tools such as logical framework analysis).
- iii. Strategic planning, financial sustainability and resource mobilization.
- iv. Whole system impact and going to scale: organizational learning, policy dialogue, and networking/partnerships (including public private partnerships).
- v. Gender: as a determinant of individual and social outcomes in society and its institutions.
- vi. Organizational systems and management.

This model will be able to go to scale to include hundreds of providers because learners’ and teachers’

### Design Specification for Outcome-Based Learning

#### Outcome-Based Learning

An outcome-based curriculum links learning outcomes (viz., knowledge, skills and values) with specific and objective assessment with teaching & learning strategies (viz., the content of the curriculum, including readings, audio and video inputs, activities, and structured interactions between / among learners and mentor).

#### Web-based Technology and Integrated Curriculum Framework

Outcome-based learning uses a custom web-based system that integrates curriculum design, diverse teaching & learning strategies, learner registration & record keeping, learner assessment, course & programme assessment, and ongoing learner relationship management.

#### A Scalable Enterprise Forming a Learning Commons

Outcome-based learning enables the best development management education providers on specific topics to pool their knowledge and experience to form a field-based “learning commons”. The curriculum represents an aggregation of learning modules that are derived from and delivered by existing field-based providers.

An extremely rigorous quality assurance component, with real time, computerized teacher and learner performance monitoring, will allow for going to scale in curriculum delivery via trained and licensed third party providers.

#### Validation by a Respected University

Formal relationships with respected universities may be used to underpin the academic rigor and provide the currency in the job market popularly afforded to university qualifications.

#### Wide Spectrum of Learning Situations Supported

Outcome-based learning will support the full range of learning situations, from continuous classroom-based programmes to block teaching, a mix of face-to-face and distance learning, and pure distance learning.

<sup>28</sup> To avoid a situation where Keystone Reporting is, in effect, rating its own training, Keystone Learning will be operated as a separate, insulated activity.

performance is recorded on the web database on a real time basis. Thus, any member of the enterprise can see at any point how well any learner or teacher is performing anywhere in the system. The quality assurance system will detect problems in real time and signal the need for remedial support.



## Appendix 3: The Sponsors

**DAVID BONBRIGHT** is based at the Aga Khan Foundation in Geneva, Switzerland, where he directs the Aga Khan Development Network's Civil Society Programme. Founded and guided by His Highness the Aga Khan, the AKDN brings together a number of development agencies, institutions, and programmes that work primarily in the poorest parts of Asia and Africa. The AKDN is a contemporary endeavour of the Ismaili Imam to realise the social conscience of Islam through institutional action. AKDN agencies conduct their programmes without regard to the faith, origin or gender.

Trained as a lawyer, David is an experienced designer and manager of citizen-led development services and programmes, with an emphasis on developing organizational capabilities. In the early 1990s, he founded and led two African citizen sector resource centres, one relating to organizational development (the Development Resources Centre, Johannesburg) and one relating to information and technology (SANGONeT, Johannesburg). From that base in South African civil society, he also conceived and guided the processes that gave birth to the Southern African Grantmakers Association (SAGA) and the South African NGO Coalition (SANGOCO). As a grantmaker and manager with Aga Khan Foundation (1997 – present), Ford Foundation (1983 – 87), Oak Foundation (1988 – 90), and Ashoka: Innovators for the Public (1994 – 1997), David has sought to evolve and test innovative approaches to strengthening citizen self-organization for sustainable development as an alternative to prevailing bureaucratic, top-down models of social service delivery and social value creation.

He has authored and co-authored a number of publications, including most recently, *Creating an Enabling Legal Framework for Nonprofit Organizations in Pakistan* (Pakistan Centre for Philanthropy, 2003), *Enhancing Indigenous Philanthropy for Social Investment* (Aga Khan Development Network, 2000), *Philanthropy in Pakistan* (Aga Khan Development Network, 2000), *Leading Public Entrepreneurs* (Ashoka: Innovators for the Public, 1997).

He sits on the boards, advisory councils and knowledge networks of Alliance magazine, Allavida, Goldman Foundation Environmental Awards, and the Johns Hopkins University Comparative Nonprofit Sector Project. In 2003, he selected as a Synergos Senior Fellow.

David Bonbright can be contacted at [david.bonbright@akdn.ch](mailto:david.bonbright@akdn.ch). Further information can be found at [www.akdn.org](http://www.akdn.org).

**ERNST BRUGGER** is a founding partner and board member of Brugger, Hanser & Partner Holding Ltd. and chairman of the subsidiary Brugger & Partners Ltd. He also holds the post of professor at the University of Zurich and is chairman and a board member of various companies, including the Sustainable Performance Group. Ernst is a member of numerous committees and organisations in Switzerland and abroad, notably the Executive Committee of the International Committee of the Red Cross (ICRC). He is also the managing director of The Sustainability Forum, Zurich ([www.sustainability-zurich.org](http://www.sustainability-zurich.org)) and is actively engaged in numerous projects in the field of sustainable development.

Ernst began his career in regional science and was head of the National Research Programme for Regional Problems on behalf of the Swiss National Fund from 1978 to 1984. From 1981 to 1990 he taught regional science at the University of Zurich and since 1990 has continued to teach in the capacity of visiting professor. Over the past 20 years, he has

carried out numerous consultancy tasks for various Swiss and international companies and institutions in Europe, Latin America, Africa and Asia.

In 1985 he founded Brugger, Hanser & Partners Ltd. together with Christian Hanser. From 1986 to 1996, Ernst A. Brugger was managing director and delegate of the board of FUNDES (Fundacion para el desarrollo sostenible), a private foundation for the support of SME's in Latin America founded by Stephan Schmidheiny.

Ernst Brugger can be contacted at [ernst.brugger@bruggerconsulting.ch](mailto:ernst.brugger@bruggerconsulting.ch). Further information can be found at [www.bruggerconsulting.ch](http://www.bruggerconsulting.ch).

**MARITTA R. VON BIEBERSTEIN KOCH-WESER** is Founder and President of Earth3000, an international non-profit organization based in Berlin, Germany. Earth3000 supports improvements and innovations in governance for environment and development. Convinced that the next decades are of crucial importance for all future, Earth3000 builds networks and seeks forceful action to reverse present trends of environmental loss and extinction. Earth3000 endorses the Earth Charter's call for shared ethical commitment and inter-generational responsibility.

Dr. Koch-Weser holds a number of other positions, all relevant to the cause of Earth3000. She is Director of Bieberstein Forum for Environment & Development, a small Conference Facility. She is Head of Social & Environmental Practice at Centennial, a Washington D.C. based Policy Advice Group. She is Member of the Board of Gemeinschaftsbank in Germany; Chair of the Netherlands-based Avalon Foundation for Sustainable Rural Development in Central and Eastern Europe; Member of the Board, Center for Democracy and Reconciliation in South Eastern Europe; Member of the Board of Directors of The World Institute for Disaster Risk Management, DRM (USA/Switzerland); Member of the World Bank's ProVention Consortium; Trustee for the Nepalese King Mahendra Trust for Nature; Member of the Advisory Board, Instituto Terra, Brazil; Member of the Board, Center for Development Research (ZEF Bonn); a Founding Member of the Forestry Integrity Network/Transparency International, and Member of the Board of Trustees of TERI-Europe.

Dr. Koch-Weser's field experience in international development and environment spans the regions of South Asia, East Asia & Pacific, Latin America & the Caribbean, West & East Africa, Middle East, Eastern Europe & countries of the Former Soviet Union. In addition to German, her languages include English, Portuguese, Spanish, French, some Italian and some Russian.

Prior to founding Earth3000, Dr. Koch-Weser was Director General of IUCN -The World Conservation Union. Founded in 1948, IUCN –The World Conservation Union is the world's largest umbrella organisation of environmental institutions, bringing together a membership of Governments and Government Agencies, and hundreds of civil society organisations. IUCN's six Commissions form a worldwide network for academia and science.

From 1980-1998 Dr. Koch-Weser worked at the World Bank, where she was closely associated with the build-up of environmental and social programs and policies. In her most recent assignment she was Director for Environmentally & Socially Sustainable Development for the Latin America & Caribbean Region.

Dr. Koch-Weser can be contacted at [mkochweser@earth3000.org](mailto:mkochweser@earth3000.org). Further information can be found at [www.earth3000.org](http://www.earth3000.org).

**JOHN GOLDSTEIN** is Senior Managing Director of Medley Global Advisors and Executive Director of the Medley Institute. MGA is the leading macro-political advisor to the world's largest financial institutions and multinationals. Its clients -- top investment banks, asset managers, hedge funds, and global corporations -- collectively control over \$10 trillion in risk capital. The Medley Institute's mission is to find opportunities where an applied understanding of the intersection between policy and markets and the interactions amongst policy-makers, market participants, and civil society can foster sustainable development. The Institute pursues this mission through proprietary research, conferences, and organizational partnerships with governments, citizen organizations, philanthropies, think tanks, corporations, and financial institutions.

Prior to joining Medley Global Advisors, Mr. Goldstein was a management consultant in the Strategy practice of Andersen Consulting (now Accenture). While at Andersen, Mr. Goldstein worked with senior executives around the world in a number of industries on issues such as brand strategy, "buyer values" market research, global M&A, scenario planning, and new product development. Mr. Goldstein was an honours graduate of Yale University where he was awarded the Richter Fellowship and the Townsend Prize.

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Ms. Karr began her legal career with, respectively, Milbank, Tweed, Hadley & McCloy and Curtis-Mallet, Colt & Mosle, where as an associate she specialized in international corporate and banking matters. She first entered the public sector as Attorney Advisor with the U.S. Agency for International Development, representing the Bureau for Humanitarian Response and the Global Bureau. She then became a Senior Policy Adviser for development issues, advising the U.S. delegation to the Organization for Economic Cooperation and Development in Paris.

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Over the past five years, Mr Rautenberg has served as a senior advisor to Office of the President and Board of Directors of the State of the World Forum, a highly regarded global leadership education, networking and community-building enterprise with participants in over a hundred countries. And until recently, he served as Vice President for Strategy and Business Development, Director of the New York Office and official liaison to the United Nations for the organization. Mr Rautenberg also presently serves as an advisor to the President and as a Member of the Board of Directors of The Diversity Channel; a leading provider of e-learning and desktop productivity tools in the field of global workforce diversity. Prior to entering the world of business and finance, Mr Rautenberg held several senior academic research and administrative positions related to the fields of systems analysis, management science, national security and business and public policy.

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In 1980 Mr Samuel was appointed as the National Director of the South African Committee for Higher Education Trust (SACHED Trust) in Johannesburg. He held this post until 1990 when he was appointed as Head of the Education Department of the African National Congress. SACHED played a significant role in the anti-apartheid non-formal education movement inside South Africa. As Head of the Education Department of the African National Congress, Mr Samuel was responsible for developing education and training policy. He also coordinated provincial education structures and liased with international and national organisations. He held this post until 1994.

Between 1994 and 1997, Mr Samuel was the Deputy Director General of the National Education Department. His responsibilities included policy and legislative development and the construction of the national budget. Mr Samuel also provided leadership for the organizational transformation and departmental restructuring. In 1996 he set up the new Higher Education division in the national department.

After stints with the W.K. Kellogg Foundation based in the United States and Zimbabwe, and as an independent education and training consultant, in September 2001, Mr Samuel was appointed Chief Executive of the Nelson Mandela Foundation.

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He has extensive experience working as advisor and mentor to, and external reviewer of textiles and apparel, mining and energy, chemicals, pharmaceuticals, and finance sector businesses in Europe, the USA and Africa, as well as working on sustainable development issues with development and human rights NGOs, and international agencies and governments.

He has authored, co-authored, and co-edited numerous publications, including most recently, *The Civil Corporation: the New Economy of Corporate Citizenship* (Earthscan, 2001), *Corporate Responsibility and the Competitive Advantage of Nations* (AccountAbility/The Copenhagen Centre, 2002), *Third Generation Corporate Citizenship: Public Policy and Business in Society* (AccountAbility/Foreign Policy Centre, 2001), *Conversations with Disbelievers: Encouraging Increased Business Social Engagement*, and *Business Partners for Development: Endearing Myths, Enduring Truths* (BPD, 2002), and *The Economics of Utopia: the Democratisation of Scarcity* (Avebury, 1994).

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