



Introduction

About Stars Foundation

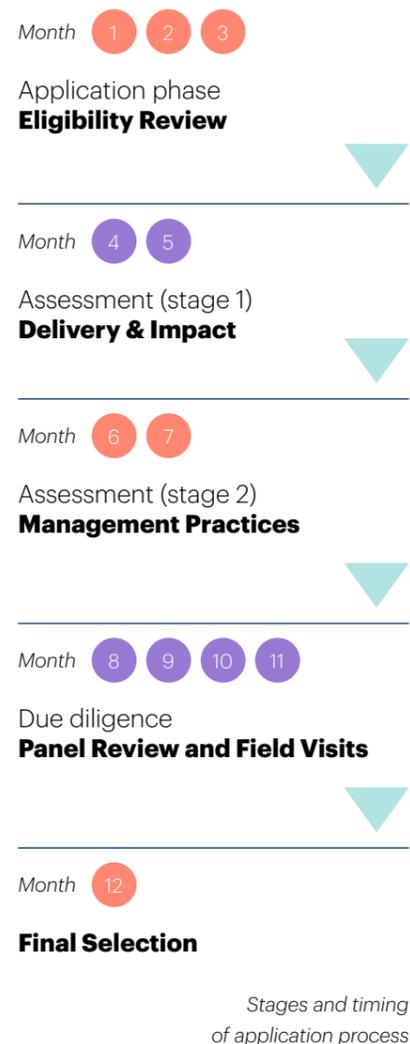
Stars Foundation invests in organisations and ideas that transform the lives of disadvantaged children and their communities globally. Founded in 2001 by Al-Dabbagh Group and based in London, Stars is an independent charity committed to reaching 20 million people by 2020. Through its Impact Awards, Stars aims to improve the lives of disadvantaged children and young people by identifying and supporting effective local NGOs in countries where the needs of children are greatest.

The Impact Awards aim to recognise and reward effective local NGOs working with children and young people. Since 2007, 78 awards have been made to organisations working in 27 countries.

There is an annual awards process open to locally-based NGOs operating in the 100 countries with the highest under-five mortality rate.¹ The figure highlights the different stages of the assessment process. During this process, applicants are evaluated against six criteria² developed in partnership with PricewaterhouseCoopers LLP.

At the time of this Review, awards were made across three geographic regions³ and provided in four broad thematic areas: health, education, protection and WASH (since 2013). A 'winner' and 'runner-up' were selected per category in each region. Organisations that won the main award received US\$100,000 in 'unrestricted' funding, with runners-up taking US\$50,000. All organisations received 'consultancy' funding which entailed c.US\$10,000-20,000⁴ earmarked for the organisation to devote to activities that strengthen their organisational core.

Further information on the Impact Awards and previous winners can be accessed at: www.starsfoundation.org.uk/awards/impact-awards.



1 http://www.unicef.org/sowc2013/files/Stat_Tables_SOWC_2013_Under-five_mortality_rankings_EN.pdf

2 Delivery and impact, Strategy & Leadership, Finance and Administration, Innovation, Stakeholder involvement and Accountability and Human Resource Management

3 Africa-Middle East, Asia-Pacific and Latin America-Caribbean (since 2014)

4 Depending on award year

About the reviewers

Tina Wallace:

Tina has worked in development as an academic, practitioner and activist for over 35 years, undertaking extensive research, training, mentoring and teaching at universities, with donors and with NGOs. [More info...](#)

Elanor Jackson:

Elanor has worked in international development for 25 years, gaining experience in a range of international organisations based in the UK, as well as periods of time spent living and working overseas. [More info...](#)

Aims of the Review

The Review was ambitious in scope, interrogating the entirety of the Impact Awards process – how organisations are selected, how the funding is used and what difference it has made. It covered the following areas:

- Understanding how Stars works, its aspirations and the systems and processes in place to enable this;
- A detailed understanding and analysis of the way Stars selects and administers awards, policies and guidance around the use of funds, learning and reporting requirements, what kind of evidence is required and valued and the different modes of support provided to award holders;
- Understanding the recipient organisations, including their governance and accountability structures, their systems and practices around financial management and programme implementation, as well as their learning and reporting systems;
- Understanding how the funding has been used, what the award has meant to the lives of the children involved in the programmes delivered using, in part at least, Stars funding.

Approach

The Review took place from September 2013 to February 2014 and involved speaking to the following stakeholder groups:

- Two workshops with **key staff at Stars Foundation**, with follow-up meetings with senior staff to understand the context, rationale and administration of the awards;
- Consultation with **stakeholders involved in the awards process**: two independent assessors⁵ and four panellists⁶ to understand their perspective;
- Interviews with two **Trustees of Stars Foundation** to capture their views on the purpose and value of the awards, how they track progress, and what issues are of paramount importance to them;
- Telephone interviews with **ten previous award recipients** exploring their experience of the application process, their understanding of what the award is for, how they used the funding, views on reporting requirements, and their relationship with Stars;
- **Visits to four organisations that had received awards in Nepal and five in Kenya**. Most organisations used the award for a range of purposes, therefore the format for each visit was shaped in response to their approach to allocating the funding. Due to time constraints it was only possible to spend a maximum of three days with each organisation and with some organisations, visits were shorter. The overall approach was to hold meetings with key staff, in addition to visits to projects to meet with project staff and beneficiary groups and other stakeholders where relevant. The visits aimed to explore:

5 Independent assessors evaluate all applications that reach Stage 2 independently to Stars Foundation. Following this assessment, the judgements of Stars and the assessors are moderated to shortlist applicants.

6 Each region has an independent panel of experts that shortlists applications – 3 current and 1 previous panellist participated in this Review

- Experience of applying for and using the award;
- Key development activities and approaches;
- The impact of the award on specific projects and the lives of beneficiaries;
- The monitoring and evaluation undertaken, focusing on how statistics (such as beneficiary reach) are collected for Stars;
- The use of Stars' consultancy funding and its value to the organisation.

Appreciations

The reviewers would like to thank all NGOs that participated in this Review – they have been open, forthcoming and informative and gave their time without any real reward. The reviewers also appreciated the time set aside by other stakeholders to the process, such as Stars staff, independent assessors, panellists and Trustees.

About this Summary

This report has been prepared by Stars Foundation and summarises some of the key lessons and recommendations coming out of the Review. It is published to provide other foundations and funders with the opportunity to learn from the findings.

The report is structured in the following sections:

- **Strengths:** Overview of the strengths identified in the current approach;
- **Areas to improve:** Summary of where Stars' approach can be improved;
- **The impact of the awards:** How award funding has been allocated;
- **Stars' response to the Review:** How Stars is using this information to inform its work.

It is important to note that this report summarises a thorough Review process, and Stars Foundation has chosen to focus on the key issues relevant to the organisation and the sector. Should readers require further detail on any aspects covered in this report or wish to learn more about the full Review prepared by the reviewers, please contact Alex Christopoulos at Stars: alex@starsfoundation.org.uk.

Strengths

The Review highlighted a number of key strengths of the Impact Awards that Stars should maintain and build on. The overarching points of emphasis were Stars' promotion of the principle that locally-based organisations are best placed to respond to the needs they identify, and the funding modality Stars employs to facilitate this.

- Award holders completely **endorse Stars' provision of unrestricted flexible funding**. In the current climate, funds are increasingly tied to pre-set log-frames, fixed targets and rigid budget lines, where many decisions about what and how to fund are decided far from the front line.

"Most donors tell you where to spend the money...the Stars award gave us a lot of independence as there were no restrictions so we experimented a lot – it allows you to learn and make mistakes as you are not worried about what donors will say." (Director, Nepal)
- It is rare for a UK-based donor to give direct funding to locally-based NGOs. Stars bucks that trend by **directly funding local organisations** without using an intermediary.

"This is empowering for [local] staff who have to use and account for the money." (Director, Kenya)
- In a world where much funding is retrospective, small/medium-sized NGOs can be prevented from accessing funding as they are not always in a position of financial stability to deliver work without receiving funding in advance. Stars' provision of **forward funding is a critical feature of the award**, providing organisations with the opportunity to proactively plan their work rather than reacting to funding prospects.

"Restricted funds for consultancy are good so we put money into important things apart from programmes....otherwise HR always goes to the bottom." (Director, Kenya)
- Critical issues such as strategic planning, improving HR, and learning are often earmarked as areas to improve. However, unless funding for organisational improvement is ring-fenced, there is pressure to spend all funding on programmes and essential running costs. Stars' **consultancy funds are earmarked for organisational development**, which helps to redress this balance.

"The most valuable aspect of the award is the fact that it is an award which means that your work has been recognised." (Board member, Nepal)
- Few local or frontline staff members receive the kind of **acknowledgement and recognition** the Impact Awards provide. This raised profile and confidence boost is clearly important to award holders.

- Some award holders used the Stars Impact Award to **leverage and access other funding**, both because of the status of being an ‘award holder’ and also due to links to other funders made by Stars.

“The award gives visibility, credibility...” (Director, Kenya), “Many donors want to fund something which is already established and has a track record but we were able to use Stars funding to get new work off the ground...and subsequently secured other contributions.” (Fundraising Manager, Nepal)

- Some organisations in the review highlighted the **positive relationship they have with Stars**, noting the friendliness and responsiveness of programme staff.

“We think of them as partners.” (Fundraising and Partnerships Manager, Nepal)

“The staff are passionate and they care.” (Director, Kenya)

Areas to Improve

While the underpinning principles of the awards are well supported, the Review uncovered a number of areas where Stars’ work could be developed to improve both the consistency and quality of the process. These improvements can be grouped into the following areas: Stars needs to **clarify what the award is for, who it targets** and **strengthen the selection process**.

Greater Internal and External Clarity

The Review underlined the need for Stars’ requirements of award holders to be more clearly defined and consistently applied. This can make a significant impact on relationships and how funding is subsequently used.

- Feedback from stakeholders made clear that there are a broad range of aims and aspirations for the awards. There was a desire for Stars to more **clearly and consistently define what the award is for**. Is it to identify organisations that are ‘the best’, ‘strong’, ‘innovative’, working with large numbers of children or delivering high quality work with fewer and the most vulnerable children? Is it a reward for past performance or a grant to improve work with children or build the capacity of organisations? More clarity and transparency in relation to these assumptions will help set expectations and reduce inconsistency.
- While there was universal appreciation of the use of unrestricted funding, there was some **confusion about how ‘unrestricted’ funding works in practice**. Once the award is given, NGOs are expected to provide detailed plans, budgets and impact indicators which can feel, to some, much more like project funding, more closely in line with the practice of the majority of donors. Stars is constrained by UK charity law and has to be reassured that funds are used for charitable purposes and so the planning process, in practice, is tighter than some NGOs might have expected. Understanding of what is meant by ‘unrestricted’ funding varied, with several award recipients surprised that they needed to provide plans and budgets, uncertain what flexibility they had or what decisions they could make independently: *“Once money goes into the account it becomes a grant...this is a hybrid, an award and then a grant.” (Kenya, Director)*
- Stars needs to **clarify and communicate its intentions about its role and relationship with award holders**. At times Stars is positioned solely as a funder, whereas at others a development partner, encouraging longer-term relationships with award holders. These contradictory relationships highlighted a mismatch between the way Stars wants to be with award holders and the reality that the Foundation’s funding is one-off, relatively short-term and of small/medium size in relation to other international funders. Some NGOs noted that on some occasions, Stars continued to request information even when funding had been spent, which is an unrealistic expectation of engagement. Without more clearly defined terms of reference, there was a concern that Stars’ funding can be used to extend or open new programmes, however, once the award

ends NGOs are left with the problem of securing new funding to continue the work: *“I am worried that Stars encourages people to start something and then it stops funding.”* (Director, Kenya)

- Assessing whether an organisation is ‘local’ is difficult and complex and many judgements come in to play. The Review highlighted some ambiguity relating to whether award holders met the criteria of being both locally registered and autonomous, with control over their funding decisions. The Review highlighted a need for Stars to **more clearly define its interpretation of a ‘local’ organisation**. There are real differences between NGOs that are locally rooted, focused and bounded and those that are country offices of international NGOs, or have access to wider relationships through an international HQ or founder. It is important for Stars to ensure it is reaching the type of ‘local’ organisation it seeks to.

Strengthening the Selection Process

Improvements can be made to how applicants are identified, assessed and selected to help increase the quality of the Impact Awards process.

The Impact Awards are open to the 100 countries with the highest under-five mortality⁷ rate. This classification selects a very wide and disparate range of countries, all with very different rates of development, protection for children and promotion of child rights. This breadth means it can be challenging to gain an in-depth understanding of any specific region, country or context, and the appropriateness of different approaches in different contexts. As such it is difficult to compare organisations across countries. **Reducing the geographical spread** of countries would help Stars to better understand context, promote the awards in-country, and visit and bring together organisations.

Stars awards organisations across four broad themes: health, education, protection and WASH. Several NGOs found the themes unhelpful as they do not reflect the diversity of their work, often falling under several of the themes defined by Stars: *“We have to work on all fronts to make change for children and are against single focus work.”* (Director, Kenya). Stars could consider **refocusing the use of categories** to better identify organisations doing the best work with children in the context they operate.

This Review highlighted a number of areas where greater understanding and clarity could be applied to create a more **consistent and transparent selection process**. Key observations include:

- **Are the right questions being asked, are good applicants able to answer them well and can they be scored consistently?** The process does not always select the same types of organisations over time, this might be due to differences in the quality of applications; however, it could also be due to differences in how decisions were made by Stars or differences in the experience and skills of the person making the assessment .

⁷ <http://www.starsfoundation.org.uk/awards/where-we-work>

- **Reduce the reliance on paper-based application and assessment.** A significant focus of the assessment process centres on the responses an NGO provides in the application form. Responses are assessed twice by Stars, once by an independent assessor and finally by an independent panel of experts. Such importance placed on responses in the application form runs the risk of judgements being made on incomplete information, or overreliance on organisations that are able to articulate or sell their work, rather than a more in-depth assessment of an organisation.
- **Be clearer about the essential terminology.** For example, more clearly describe what is meant by ‘impact on children’; what is more important – the numbers or the quality of the change?
- **Provide more clarity and transparency around Stars’ decision-making process.** To what extent do different ‘assessment’ stages throughout the process drive selection decisions? This is especially important for applicants who have seen different results from different applications, and for those NGOs that do not progress.
- **Better clarify the role of the assessment visit.** Organisations that progress far in the process are visited by a member of the Stars team for approximately three days. The purpose of the visit is to assess in-person how the organisation performs and to validate some of the information collected in the application form. Some NGOs queried the value of the assessment visit, highlighting that it is challenging to fully understand the quality of organisations’ work in only three days. *“The assessment visit is a good thing but it is not possible to know about the quality of our work in a short visit. We wanted to show them programme level work but they were more focused on governance and administration and management”* (Manager, Nepal)
- **Better appreciate the time implications from an NGO point of view.** One organisation received an assessment visit that resulted in them not winning the award they had applied for: *“We were dragged through a very onerous process taking a lot of staff time, travel, money⁸ and community time. This was too much time, money and work and raised everyone’s expectations...It was crushing and disappointing not to get anything.”* (Director, Kenya)
- **Reduce the time taken to administer the assessment process.** All the organisations consulted felt the timeframe for the application process (one year) is too long.
- **Factor in the issue of gender to the assessment process.** Boys and girls need different kinds of programming and development practice, yet understanding of an organisation’s approach in this area is not consistently demonstrated in Stars’ assessment practice.

⁸ Notes from Stars Foundation: Stars offers to reimburse NGOs for all material costs of the trip

The Impact of the Awards

Like many funders, Stars seeks to better understand and communicate the impact of its work, however it was not always clear what Stars is looking for when assessing the ‘impact’ of its awards.

Stars is certainly interested in how many children are ‘reached’ through the awards, with an aspirational target of reaching 20 million people by 2020. However, alongside this target, significance is also placed on supporting and empowering organisations. Stars faces many challenges when assessing the impact of awards, including:

- Stars’ funding is **not focused on specific approaches or purposes**. The funding NGOs receive from Stars is often spread across many activities straddling Stars’ themes, and some that fall outside them. Plans are often not followed and, in some cases, the funds are used for unexpected contingencies and emergencies. Consequently, assessing, let alone aggregating, impact in this area is hugely complex.
- Stars **funding is often a small percentage of financing any given approach or activity**, therefore it would be very difficult to directly attribute any changes to Stars.
- All NGOs in this Review said they work over years with children, providing long-term support. Stars provides one-off funding, yet impact has to be measured over years and NGOs were clear that it is far too soon to know what, if any, impact Stars’ funding has had on changing the lives of children.
- The majority of Stars’ funding sampled in this Review goes into services at present. The **impact of providing basic services to children can be very hard to measure**, especially when the provision is erratic or of uneven quality.
- For some NGOs, Stars’ funding was a lifeline in difficult times, keeping them afloat, the ‘impact’ of such occurrences is **hard to capture and value**.

How was Award Funding Spent?

As long as the unrestricted funding is directed towards charitable purposes⁹, organisations are free to allocate it to priorities they identify. As such, no clear pattern emerged around the rationale behind expenditure choices and the types of area it was directed towards.

- Some organisations **used the award for a range of ‘strategic’ purposes**, with the aim of creating long-term significant changes in their organisation. Examples include directing funding towards construction, purchase of capital items, strengthening organisational infrastructure, staff capacity building and in some cases, for investments/allocation to reserves. Two or three are more financially secure through investment in, for example, building offices or using buildings for income generation. Investments have yielded added income for some NGOs, though these were usually quite short-term investments because of urgent day-to-day

⁹ <http://forms.charitycommission.gov.uk/detailed-guidance/charitable-purposes-and-public-benefit/guidance-on-charitable-purposes/>

calls on their income and legal limitations on creating long-term investments. Whether or not these changes have enabled any significant organisation transformation is not always clear, however in some cases they have contributed towards helping put NGOs on a more secure footing.

- Some NGOs had initially hoped to use the money strategically, however as their plans changed it ended up being directed towards **less ‘strategic’ uses of award funding**, such as focussing on the short term day-to-day costs of running an organisation. This can include gap filling, match funding, running costs, salaries, addressing crises or expanding programme coverage.

“We have used the money across many activities, not really strategically but on pressing needs, filling gaps and capital costs others won’t fund.” (Director, Kenya)

How was Consultancy Funding Spent?

Award winning organisations are provided with ‘consultancy’ funding in addition to the award. This funding must be directed towards strengthening the capacity of the organisation.

In some cases, the funding is used by NGOs for organisational development and some of this has definitely improved performance in some organisations. Examples of where money has been invested include in fundraising, governance, strategic planning and human resource management.

However, the evidence showed that only in a minority of cases has this funding enabled NGOs to significantly improve their organisational position.

What Data are Collected and for What Purpose?

Stars’ reporting systems have caused confusion to some organisations. The assessment process focuses on past performance, however, once the award is given, the focus switches to how funding will be directed and what benefits it will bring to children. Some find the reporting easy whereas others find it onerous – too demanding and detailed for an ‘unrestricted’ award.

- Stars’ reporting enables the organisation to show how money has been used, describe the activities and their purpose and cost. Reporting is generally focussed on outputs and less on the outcome of initiatives. Current **reporting formats do not generally capture the quality of work undertaken** or the learning that has emerged during the implementation of the work. Therefore it is challenging to judge the value, quality and appropriateness of the work implemented through Stars’ funding.

- Current reporting **does not tend to capture changes that occur as a consequence of Stars' funding**. Reporting information focuses more on activities that have been completed rather than on what changes have occurred – for example, has an organisation's capacity developed or what has the impact on the lives of children been?
- Some award holders felt that the **reporting requirements could be simplified**: *"after winning the award, the paperwork was more complicated than the proposal itself."* (Manager, Nepal)
- To date, there has been limited **learning based on reporting and feedback** provided from the award holders. Although there is a significant amount of anecdotal and personal learning taking place by staff, Stars should **more systematically collect, analyse and share data**, and develop its monitoring, evaluation and learning tools and processes.

5. Stars' Response to the Review

To start, we would like to thank Tina and Elanor for expertly guiding us through the Review process. Their work has helped us to look at our aspirations and operations afresh and challenged us to improve.

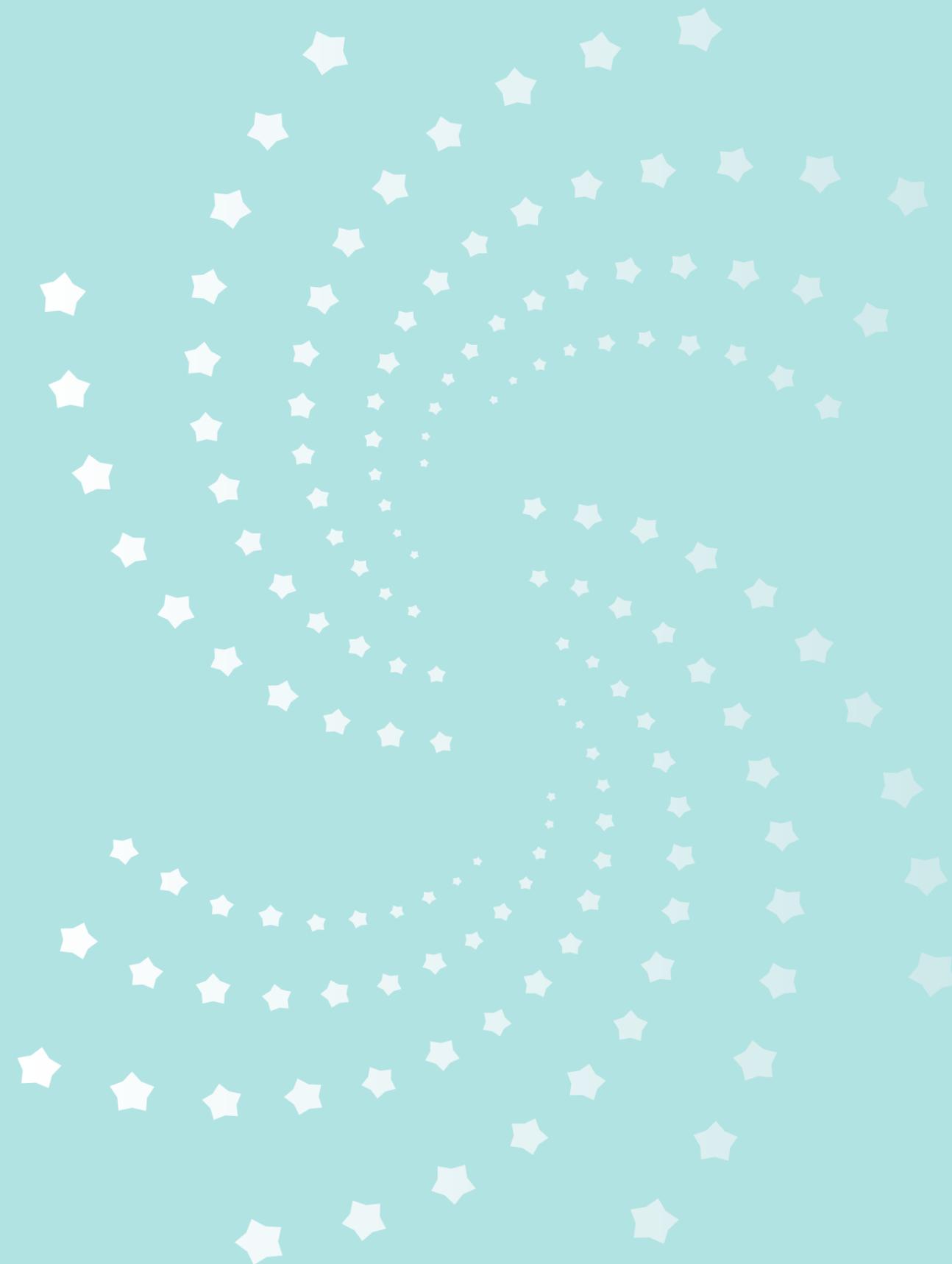
After much reflection and deliberation on the key insights that emerged from this Review we are now in a position where we can start to respond and strengthen the Impact Awards process – some changes are relatively straightforward, whereas others have required more significant development to the way we work. Stars is taking the following four key steps in 2015 to act on lessons from this Review:

- 1. Maintain and build on our strengths:** We are proud to continue to trust and support well-performing local NGOs through flexible funding, recognising their work and communicating it to others.
- 2. Provide clearer definitions of our vision and expectations:** We will tighten our eligibility criteria, providing more clear and transparent descriptions of the types of organisation we seek to award and how we will assess this. We recognise that how we define a 'local' organisation can improve and we will focus on identifying organisations that have been initiated and headquartered in country. We will seek to better communicate upfront what our award support package entails and set realistic expectations about what we can achieve as a donor. We also affirm our commitment that the awards recognise past performance and it is up to award holders to decide how they will allocate funding, without an expectation that it will be used for a particular purpose.
- 3. Run a more transparent, in-depth and contextually sensitive awards process:** We are committed to being more transparent in how we assess and select organisations. Having an open application process that invites applications from organisations operating in 100 countries has meant that our assessment focus has been historically weighted towards managing, evaluating and providing feedback on high volumes of applications, limiting our ability to understand contextual factors and the depth in which we interrogate an applicant's approach. From 2015, we will be 'clustering' countries in the three regions we operate in – working in four to six countries per region on a rotating basis. This will allow Stars to devote more time to understanding the context organisations operate in and the appropriateness of their response. We will also move from an 'open' to a 'proactive sourcing' process. This change will help us to work with expert regional partners to identify strong NGOs addressing the needs of children and young people in their specific context. Based on feedback in the Review, we will be removing the thematic award categories from our work (health, education, protection and WASH). Our focus will be on identifying organisations that address issues relevant to what children and young people face in their communities, rather than pre-defined themes. Our process will also adapt, incorporating a greater focus on discussions with potential award holders and less reliance on responses provided in an application form. We will also

be basing one of our team in our Asia-Pacific region with the aim of developing our understanding of the region and from 2015 will also accept applications in additional languages .

4. Be upfront in our expectations of Stars' relationship with award holders: We want to make sure that NGOs we work with understand our reporting requirements and ways they can engage with Stars. We commit to improving our existing reporting procedures and, importantly, doing more with the data we collect. We understand the challenges of assessing the overall 'impact' of providing flexible funding to a diverse range of organisations and seek to better articulate, capture and communicate the impact of our activities. We want to offer NGOs long-term opportunities to connect with other award holders, our co-funders and Stars, but also appreciate that as relationships evolve and priorities change, involvement with the Stars community may only be in the short-term.

These changes will be piloted over 2015; we aim to provide regular updates on our plans and what we learn on our website: www.starsfoundation.org.uk.





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