

**DAY THREE**

- **SESSION EIGHT: RESOURCES FROM GOVERNMENT**
- **SESSION NINE: RESOURCES FROM FOREIGN DEVELOPMENT AGENCIES**
- **SESSION TEN: RESOURCES OF THE CORPORATE SECTOR**
- **SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.1 Complicated Relations

#### Purpose

*To explain the complicated range of relations between CSOs and government.*

#### Text

The relationship between CSOs and governments is complicated and sometimes bitter. In many countries there is a history of governments regarding civil society organizations as potentially subversive and as organizations whose actual purpose is to discredit the government. In such places there are often extensive bureaucratic rules and regulations to control CSOs. In other places there is a recognized niche for CSOs, provided they restrict themselves to charitable activities, and show no desire to move beyond that. In yet other places they are valued as supplementary agencies to the government which can be subcontracted to carry out government programmes.

The relationship has been complicated further by the supporters of the so-called Neo-Liberal Economic Policies or the 'Washington Consensus' (meaning the combination of free trade, floating exchange rates, and smaller government). This has urged the rolling back of the state and the promotion of the private sector and civil society within which civil society organizations operate. These new policies unfortunately have posed Southern governments and CSOs as competitors for foreign aid. This is further complicated when specific foreign aid projects have insisted that governments work with CSOs in the implementation of development programmes with the donors' money. Governments start to see CSOs as the darlings of the foreign aid agencies, funded and kept in place by them, and lacking local accountability.

Just as governments have a spectrum of complicated attitudes towards CSOs, so also do CSOs in turn have a spectrum of attitudes towards government. The attitudes of civil society organizations cover the range of the following positions:

- CSOs are by definition not government; their strength is that they have an alternative view of development from government and a different way of working, and they should stay that way. They should have as little to do with government as possible, and rarely use their resources.
- CSOs should be free to choose which aspects of government they consider admirable and with which they want to work, and also those with which they do not wish to associate.
- Government does not own the resources it controls; it merely holds them in trust for the public. CSOs, as organizations of the public, have the right to demand government resources. In particular, CSOs have the right to demand resources that the government holds, but is either not using, or using ineffectually.
- Government has the power. If CSOs want to access government resources, they have to accept that the government does control the resources, and learn pragmatically to engage the government on its own terms since they cannot successfully challenge it.

#### Methodology

*Discuss government's functions in a country. What did it use to provide, and what does it provide now under Structural Adjustment Programmes (SAP)? Are CSOs being asked to do what governments used to do? Do any participants have any examples of CSOs receiving government funding? Ask for the story.*

*Show OHT 48 - which of these positions do the participants subscribe to?*

## **Range of Positions between CSOs and Government**

- **Keep away from government altogether**
- **Just deal with the part of government that you approve of**
- **Challenge the government - it is merely holding resources on behalf of the public**
- **Recognize 'real politik' - government has the power, CSOs must learn to play its game.**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.2 Ways of Working Together

#### Purpose

*To suggest the ways in which CSOs and government can work together.*

#### Text

In a situation where resources for CSOs are limited, and the sources of such resources are also limited, it is definitely in the CSOs' own interests to recognize that government holds resources which the CSOs, under certain circumstances, can access. Such access, however, depends on CSOs and governments clarifying their relations with each other and seeing how each can be useful to the other. The whole subject of government funding of civil society organizations is one that will benefit from a national level consultation between government and CSOs, perhaps brokered by bilateral and multilateral development agencies, since so often the government resources that are potentially available to CSOs originate with such agencies.

In some cases foreign donors provide funding to government on condition that they work with national level CSOs on the particular programme or project in question. In such a case the CSO does not need to persuade the government to fund it, but it certainly has to negotiate closely with the government to set up mutually agreeable modalities for such funding. If the funding from government to CSOs is a condition of foreign donor funding, but has neither been requested nor desired by the government, it is likely that the government will impose difficult operating procedures, often structuring things for the CSOs' failure. This is well documented in the World Bank's evaluation of its work with CSOs, nearly all of which is channelled via governments (see 'Further Reading').

If, on the other hand, a CSO does not have a foreign donor that is trying to channel funds to it through the government, it is likely that it basically has two ways to access government resources:

- a. By persuading the government that its interests will be served by funding the CSOs to do what they themselves want to do—in other words for the funding to be driven by the CSOs' mission, and for this to be accepted as valuable by the government.
- b. By accepting government contracts - ie for the CSOs to do what the government wants done. In such a case the funding is driven by the CSOs' desire for income, although, of course, it is possible that the government's mission and the CSOs' mission coincide.

There will be many shades and gradations between these two positions, and the CSO will certainly be required to compromise when working with government. Where the CSO is unable to persuade the government to fund its programmes, the clever CSO will exploit the possible compromises to carry out its own mission-driven activities under the cover of activities that have been contracted by the government. Contractually the CSO will have to deliver what it has agreed, but it can do other things over and beyond what it has contracted to do.

#### Methodology

*Read the handbook and use the Gram Vikas example. Have any participants had foreign donors pressuring government to use its money to fund CSOs?*

*Show OHT 49. Have any participants had experience of either way of working? Which is more advantageous from the CSO perspective?*

## **Two Ways to Approach Government**

- 1. The CSO persuading the government to support by grants what the CSO wants to do (CSO Mission Driven)**
- 2. Government contracting the CSO to do what the government wants to do (CSO Income Driven)**

**It is sometimes possible that the CSO's mission and the government's plans coincide.**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.3 Ways of Working Together

#### Purpose

*To understand the strengths and weaknesses of both parties.*

#### Text

Before getting deeper into the subject of CSO/government collaboration, it is important for CSOs to try and be as objective as possible about the strengths and weaknesses that the two parties bring to the table. Since CSOs are frequently vocal on their strengths and the shortcomings of governments, a valuable exercise is for people who work with CSOs to brainstorm the reverse - the strengths of government and the weaknesses of CSOs. This will help illuminate the difficulties and possibilities each have in working with the other.

#### Methodology

*Explain the value of considering the strengths of government and weaknesses of CSOs, since CSOs so frequently do the reverse*

*Divide the participants into two. Provide them with two sheets of flip chart paper, one labelled 'Strengths of Government' and one labelled 'Weaknesses of CSOs.'*

*Each half then spends time brainstorming ideas, and then both sides show the other the results. Reflect on this, add/subtract to the list.*

*Then in plenary go on to the next stage of listing the strengths of the CSOs and the weaknesses of the government.*

*Ask if anyone has been in government service. Ask him/her how CSOs were regarded by civil servants.*

*Exercise 10*

## **Strengths and Weaknesses of Both Parties**

**Participants divide into two**

**Each group to write up on flip chart paper:**

- 1. Strengths of Government**
- 2. Weaknesses of CSOs**

**When finished, show them to the other group and compare answers.**

**Then, and only then, ask for strengths of CSOs and weaknesses of government.**

**How does government, in general, regard CSOs?**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.4 Constraints to Working Together

#### Purpose

*To suggest the ways in which CSOs and government can work together.*

#### Text

Having listed these strengths and weaknesses (and recapitulated their own strengths and governments' weaknesses), it is worthwhile to consider the constraints to successful CSO/government collaboration. These are:

- **A lack of understanding of each other's goals:** Often government's goals are quantitative - whereas CSOs' goals are more qualitative.
- **The inability of government to identify the types of CSOs that might become reliable working partners:** The government often chooses CSO partners on the basis of publicity, rather than demonstrated impact.
- **Restrictive government procedures:** Government tendering and reporting demands, and procedures for advances and liquidating imprests, are often very burdensome if they are applied in their entirety.
- **Problems of attitude (distrust) on both sides:** CSOs are suspicious that government ministries and departments are venal, corrupt, and inefficient. Governments are suspicious that CSOs are hazy, ineffective, and possibly subversive of government.
- **Lack of clear government policy and guidelines on CSOs:** In many countries there are no clear government guidelines on working with CSOs.
- **Poor communications among CSOs, and between CSOs and government:** Frequently CSOs do not have local fora for either inter-CSO or CSO-government liaison.
- **Sharp contrasts between the 'top-down' working methods of Government and the more participatory approaches of CSOs:** Governments' working methods are often directive (even autocratic), seeing citizens as the objects of development programmes that are being done to them, whereas CSOs are more participative, seeing citizens as the subject and the driving force of their own development.
- **Poor understanding of the relative weaknesses and strengths on both sides:** CSOs do not appreciate the difficulties that well-motivated government officials work within, particularly their shrinking budgets and exposure to political interventions.
- **Lack of CSO accountability to their constituency, and to the public at large, for the ways in which resources are used:** Government officials will contrast the way in which they work, and their checks and balances, with those of the CSO.

#### Methodology

*Read the handbook text in full. Show OHT 50 section by section. Ask for examples from the participants' experiences that will illustrate these points. The last one, on CSO accountability, will be difficult for the CSOs to accept, but clarify that CSOs are self-selected, and do not have a national or local structure of accountability to a constituency.*

*Are all these constraints applicable also to local government? Give the example of the Popular Participation Law in Bolivia.*

## **Constraints to Working Together**

- **Lack of understanding of each other's goals**
- **Inability of government to identify good working partner CSOs**
- **Restrictive government procedures**
- **Lack of clear government policy on CSOs and resultant distrust**
- **Poor communications between them**
- **Contrasts between 'top-down' and 'bottom-up' approaches**
- **Poor understanding of each sides relative strengths and weaknesses**
- **CSO's lack of accountability to their clients and public at large**

**Are these also true of relations with local government?**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.5 Benefits and Disadvantages of Government-CSO Collaboration

#### Purpose

*To clarify advantages/disadvantages in CSOs and government working together.*

#### Text

CSOs must recognize the 'real politik' that government will only fund CSOs if they see some benefit to themselves in doing so, and if they consider that these benefits will outweigh any possible disadvantages. CSOs have also to accept that there may be disadvantages to them in collaborating with government that will outweigh the value of the income that they might receive.

#### Benefits and Risks from the Governments' Perspective

Benefits	Risks
<ul style="list-style-type: none"> <li>• Better delivery for government services</li> <li>• More information available to the government from the grass-roots</li> <li>• More interaction with the target groups of the programme/project</li> <li>• Enhanced cost-effectiveness</li> <li>• Greater coordination of CSOs' activities</li> </ul>	<ul style="list-style-type: none"> <li>• Government services shown to be inefficient by the CSO's presence and actions</li> <li>• CSOs' mobilization work may promote social instability</li> <li>• The demand for government services may increase beyond the capacity of the government to meet it</li> <li>• CSOs may compete with the government for funds</li> <li>• Greater control of CSOs</li> </ul>

#### Benefits and Risks from the CSOs' Perspective

Benefits	Disadvantages
<ul style="list-style-type: none"> <li>• Improved access by the CSO to policy formulation</li> <li>• Access to specialist research facilities and expertise</li> <li>• An opportunity to improve and reform government services from within</li> <li>• Access to new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Cooption by the government and greater government controls</li> <li>• The CSOs grow to assume a more bureaucratic character</li> <li>• The loss of CSO autonomy and independence</li> <li>• Relegation to mere service provision, to the detriment of the CSOs' wider programmes</li> <li>• Loss of credibility among CSO clients</li> <li>• Tendency to maintain existing social and political conditions</li> <li>• The substitution of the CSO for government services perpetuates government inefficiency and absolves them of responsibility</li> <li>• The government takes credit for the CSOs' achievements</li> </ul>

#### Methodology

*Show OHT 51 part by part. In each section go through the items asking for examples from participants own experience both positive and negative.*

# Benefits and Disadvantages of Working Together

## Benefits and Disadvantages from the Government's Perspective

Benefits	Risks
<ul style="list-style-type: none"> <li>• Better delivery for government's services</li> <li>• More information available to the government from the grass-roots</li> <li>• More interaction with the target groups of the programme/project</li> <li>• Enhanced cost-effectiveness</li> <li>• Greater co-ordination of CSOs' activities</li> </ul>	<ul style="list-style-type: none"> <li>• Government services shown to be inefficient by the NGO's presence and actions</li> <li>• NGO's mobilization work may promote social instability</li> <li>• The demand for government services may increase beyond the capacity to meet it</li> <li>• NGOs may compete with the government for funds</li> <li>• Greater control of CSOs</li> </ul>

## Benefits and Disadvantages from the CSOs' Perspective

Benefits	Risks
<ul style="list-style-type: none"> <li>• Improved access by the CSO to policy formulation</li> <li>• Access to specialist research facilities and expertise</li> <li>• An opportunity to improve and reform government services from within</li> <li>• Access to new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Cooption by the government and greater government controls</li> <li>• The CSOs grow to assume a more bureaucratic character</li> <li>• The loss of CSO autonomy and independence</li> <li>• Relegation to mere service provision, to the detriment of the CSOs' wider programmes</li> <li>• Loss of credibility among CSO clients</li> <li>• Tendency to maintain existing social and political conditions</li> <li>• The substitution of the CSO for government services perpetuates government inefficiency and absolves them of responsibility</li> <li>• The government takes credit for the CSOs' achievements</li> </ul>

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.6 Getting to Know the Government

#### Purpose

*To identify what information CSOs need to get about government practices.*

#### Text

If the CSO has decided that on balance it wants to try and access government resources, it has to realize that it needs to do a lot of homework to acquaint itself with the way that government operates. It needs to learn much more about government budgeting and regulations. For instance:

- **What is the source of the government's revenue? How does this affect developmental decisions?** To illustrate this, an anti-smoking lobbying organization in Bangladesh had no difficulty in persuading the Ministry of Health of the harmful effects of smoking and the costs to the country in health care and days off work. The Minister of Health, however, informed the CSO that the income to the Bangladesh exchequer from taxes on cigarettes was simply so important that it was non-negotiable.
- **What government funds have been budgeted for what projects?** Can the CSO get access to the national budget? Is the budget as stated likely to be realistic? Are the planned funds likely to be actually disbursed?
- **How does the CSO get invited to bid?** In each case of government programming that seems attractive to the CSO, will the government invite bids for its execution, or will it carry out the work itself? Is there scope for the CSO to lobby for one or the other?
- **What are the government procedures?** What are the government rules about bidding procedures, allowable overheads, administrative costs, etc? How does the CSO find out about these?
- **Does government have a 'niche' for CSOs?** Are there specific programmes that government has 'reserved' for CSOs? If so, how does any CSO find out about these?

#### Methodology

*Read the text from the handbook and have such material ready. Show OHT 52 in sections. After each section ask CSOs if they know the answer to the question, or if they know where to get the information to answer the question. If possible get answers from a participant who has worked with the government.*

## **Getting to Know the Government**

- **What is the source of the government's revenue? How does this affect developmental decisions?**
- **What government funds have been budgeted for what projects?**
- **How does the CSO get invited to bid?**
- **What are the government procedures?**
- **Does government have a 'niche' for CSOs?**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.7 Working Relations

#### Purpose

*To identify what information CSOs need to get about government practices.*

#### Text

If the CSO is prepared to get into the murky world of government procurement and contracting, they may become involved in:

- Extensive time spent lobbying and arguing their case.
- Competition from other for-profit contractors.
- Inefficient payment systems which may require the CSO to front some costs and be reimbursed, with all the dangers of delays in such reimbursements.
- Cumbersome bureaucracies that may take a long time to process funding or procurement requests.
- Design faults in government programmes that may not be renegotiable.
- Collaboration with an inefficient government system.

In South Africa, CSOs have been introduced recently to the complicated tendering and procurement procedures of the South African government. What they hoped would be an opportunity for them to get sustainable funding from government has proved very troublesome for most CSOs there.

In Indonesia, a CSO, which was successful in a microfinance programme, was asked by the government to extend this service to all acceptors of a family planning programme. The government wanted to make sure all acceptors received loans; the CSO wanted to offer loans only to those who understood, accepted and wanted loans.

In Zambia, CSOs were collaborating with government on a range of basic health measures which depended on certain government contributions for transport. The government vehicles were badly maintained and frequently broken which prevented the CSO from doing its part of the work.

#### Methodology

*Show OHT 53 part by part. In each part ask for examples from participants experience of the practices outlined.*

## **Working Relations**

- **Extensive time spent by the CSO lobbying and arguing their case with the government**
- **Competition for the CSO from other for-profit contractors**
- **Inefficient payment systems that may require the CSO to front some costs and be reimbursed - with all the dangers of delays in such reimbursements**
- **Cumbersome bureaucracies which may take a long time to process the CSO's funding or procurement requests**
- **Design faults in government programmes that may not be renegotiable.**
- **The CSO is required to collaborate with an inefficient government system**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.8 Legitimate Questions by Government of CSOs

#### Purpose

*To clarify what information government requires about CSOs.*

#### Text

If a government is prepared to either fund or contract a CSO, it has a perfectly legitimate right to have certain information about the organization - information which sometimes CSOs feel is invasive. The government needs to know:

- What does the CSO stand for? What has it done in the past and what is it doing now? Where is it operating? What objective evaluations and audits can the organization show?
- Who is in charge of the CSO? Do they effectively govern the activities of the organization? Do they observe the law?
- Do the CSOs' activities have the intended impact? Are they for the public benefit, or the benefit of a restricted clientele?
- Does the CSO demonstrate an ability to deliver on its promises, and manage/account for resources?
- Does the CSO work within the policy framework of the government?

CSOs should be just as ready to answer such questions as they are when they are asked by foreign donors. Because government openness and accountability is often seen as lacking by the CSOs, they sometimes resent such questioning from governments, but it is quite legitimate. It is, after all, the government's money that is to be spent.

#### Methodology

*CSOs often criticize government practices. If they want government money they will face interrogation by government officials who possibly know little about CSOs, and are antagonistic, rather than the generally supportive position of foreign donors. Show OHT 54. Are CSOs prepared to answer all these questions from government? Are they able to answer such questions?*

## **Legitimate Questions**

- **What does the CSO stand for? Area of work? Past activities? Evaluations? Audits?**
- **Who is in charge? Is it well governed? In accordance with the law?**
- **What is the impact? Who benefits?**
- **Are there well-managed accounts? Is it dependable?**
- **Does the CSO accept and implement Government policies?**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.9 What is the Government's Responsibility with the People's Money?

#### Purpose

*To clarify what are government's responsibilities in a country.*

#### Text

As Structural Adjustment Programmes (SAPs) operate in many countries of the South, governments in many places are being encouraged and/or forced to cut back on the services they have traditionally offered to their citizens in the fields of health, education and social welfare. In some cases they look to CSOs to take over this work, and this raises problems.

Firstly, CSOs are rarely placed to take over comprehensive services, like primary schooling. CSOs exist in places where their governing body wants them to exist—they rarely have regional, let alone national coverage. CSOs, almost by definition, are spotty in their coverage, and are thus not well placed to take over comprehensive government services.

Secondly, many thinking CSOs are worried about governments' seeming readiness/willingness to give up their responsibilities to their citizens. It is one thing for a government to contract at a time of financial crisis, but it is another for a government to rethink its responsibilities to its citizens, and decide to give up some of them. Should CSOs, even if they offered grants and contracts, take on such work that lets governments out of their responsibilities? Some would say that contracting such work to CSOs is not abdicating responsibility, merely identifying and using the comparative advantages of CSOs, but others see this as the start of government divesting itself of difficult tasks.

#### Methodology

*Show OHT 55*

*Ask participants to debate what should be the role of government, and what the role of CSOs. Do participants consider that it is their job to support government policy and supplement its work - or to put forward alternatives to government policy and practice?*

*Can CSOs take over traditional government tasks? Should they do so? Ask CSOs to reflect critically on their outreach and their capacity.*

## **Government's Responsibilities - and the CSO's**

**SAPs (Structural Adjustment Programmes) force governments to cut back on health, education, and social welfare services.**

- **Should CSOs take over such work?**
- **Can CSOs take over such work?**

### **Important Questions**

- 1. What are government's rightful responsibilities?**
- 2. What is a CSO's role vis-à-vis government?**

## DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

### 8.10 Non-Financial Resources from Government

#### Purpose

*To illustrate what kind of non-financial resources are available from government.*

#### Text

There are a number of in-kind resources that a CSO could access from government, resources that a government is perhaps uniquely placed to have, such as land, buildings, skilled personnel (particularly artisans). As governments cut back due to SAPs, it is quite possible that governments have all these resources underemployed. Will the CSO ask for them and lobby government to 'reward' it by letting it have such resources? Or will the CSO demand these resources as of right since the government is not using them? Does the CSO think that government will offer such resources to the CSO on their terms, and, if so, what terms are acceptable to the CSO?

The other set of resources that is within government's power to provide are the elements of an enabling environment that will enable your CSO and the citizen sector to be more effective. Again, you have to decide what your posture is going to be vis-a-vis government - will you lobby for these policies and practices, will you demand them as of right, or will you negotiate for them? They are such issues as:

- Governance: policies in place which will allow public debate and consultation between government and CSOs, along with the clear implementation of the right to associate and to form interest groups
- CSO policy: recognizing the worth of CSOs as partners in development:
  - facilitating and streamlining registration, reporting, auditing and accounting procedures;
  - involving CSOs in policy making and providing fora in which their views can be given;
  - accepting CSOs as potential implementers of government programmes and projects.
- Taxation policy: supportive legal and fiscal measures on local income, local fundraising, duty on goods used for philanthropic purposes, duty on imports for similar purposes
- Access to information: providing CSOs with public information so that they can carry it to the people, and bring the peoples opinions to the government

Getting access to the policy-making fora where CSOs can lobby for such measures (and hopefully get them adopted) may be actually more effective than funding from government, but CSOs have to prepare themselves with clear demands for the policies and practices they want implemented.

#### Methodology

*Show the whole of OHT 56. Ask for examples of government resources that have been or could be requested by CSOs. What sort of difficulties might be presented/have occurred?*

*On the side of the enabling environment, ask for examples of how these topics have been debated and discussed between government and CSOs.*

*What is the role of a representative body for CSOs? Is there one in your country?*

## **Non-Financial Resources from Government**

- **Land**
- **Buildings**
- **Personnel**
- **Artisans**
- **Food Aid**
- **Enabling Environment**
  - **Policies to enable consultation to take place**
  - **CSO policy**
  - **Taxation Policy**
  - **Access to information**

**DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT****8.11 Case Studies****Purpose**

*To illustrate the different ways in which the approach of accessing resources from government might work.*

**Text**

See the following handouts:

- Handout 14: Local Cooperation in Gdynia, Poland
- Handout 15: YMCA Medical Assistance Programme, Lebanon

**Methodology**

*Distribute the case studies to the participants. Ask one of the participants to read each case study out loud. Ask for any reflections on the story. Do they know any operations like that? Is it possible to do something similar in their circumstances?*

**Local Cooperation in Gdynia, Poland**

The successful collaboration between CSOs and the Gdynia local government was the result of a well designed strategy of the Civil Society Development Foundation (CSDF), and an international CSO working to enhance the sustainable growth of the non-profit sector in Central and Eastern Europe. In 1994, CSDF promoted the cooperation of the municipality and the CSOs in Gdynia, stimulated by the need for more financial resources and more efficient service delivery for local governments in Poland. The strategy CSDF prepared elaborated the benefits of collaboration for the city: a deeper understanding of the needs of the communities, deeper evaluation of social problems, access to more knowledgeable and less expensive service providers than local government agencies, and promotion of citizen participation. For the CSOs the collaboration aimed at ensuring a new source of funds through grants and subsidies from the local government.

The strategy included a step-by-step programme on how to persuade the local government to 'buy into' the cooperation - showing that CSOs are important partners, creating clear procedures for cooperation between CSOs and the city, and creating a model of cooperation that can be replicated in other municipalities.

In January 1995, the city accepted the plan, and appointed a consultant to the Mayor on CSO issues. The main turning point in the launching of the project took place in April 1995, when CSDF, together with the CSO coalition and the city, held a meeting with city council representatives as well as representatives of over 100 non-profit organizations. The CSOs elected a coordination committee to support activities in Gdynia and a Consultation Commission to evaluate the cooperation project. In June 1995 the programme of Cooperation between the local Government of Gdynia and CSOs was born. It was enacted into law by the City Council in September, and since then a wide range of projects has emerged.

In October 1995, the first grant-making session took place, awarding US\$70,000 to 20 CSOs. Groups were invited to Council meetings and gained a consultative position in policy decisions. One of the CSOs received a building free of charge from the Municipality to establish a day care centre. In April 1996, the Gdynia Centre of CSOs opened its doors, serving as a meeting place for over 40 grass-roots organizations and providing access to computers and a library. The office was donated by the municipality, and two of the employees are paid by the City. CSOs contributed 10 volunteers, and CSDF supports the maintenance of the centre.

CSDF learned that the success of the programme was based on identifying the common interests of the CSOs and the Municipality. In the process of programme development, the most important step was to gather representatives of both parties and engage them in discussions. The only significant obstacle to the development was the unclear legal regulatory system regarding local

government-CSO partnerships. According to the leader of the programme, if he could start over again, he would prepare himself much more carefully to answer legal challenges.

*Source: Sustaining Civil Society - Strategies for Resource Mobilisation, CIVICUS (1997)*

**Medical Assistance Programme, YMCA Lebanon**

The YMCA Medical Assistance Programme in Lebanon was initiated in 1988 to provide chronically ill low-income patients with free medication. Local communities, national and foreign CSOs and governments contributed to the programme. Medication was distributed through local dispensaries managed by local CSOs. In 1993 after the end of the civil war in Lebanon, soliciting funds for the programme became increasingly difficult. The YMCA finally asked the Ministry of Public Health to take over the programme. The Ministry responded by asking the YMCA to take over the programme, pledging to provide significant financial support in the amount of US\$1.5 million a year. YMCA still solicits cash and in-kind contributions from foreign governments and CSOs, and clients also pay a nominal fee. But most client expenses are covered by the government contract.

The YMCA's decision to approach the Government resulted from both internal and external factors. Many donors were not interested in continuing funding for the programme. The YMCA also believed that financing such a programme was the responsibility of the Government, and that CSOs could not continue to shoulder this burden alone.

The YMCA had some previous experience with the Government, which encouraged them to pursue State funding. Despite this experience, however, the YMCA needed both technical and financial assistance to help solicit the grant. Staff needed to learn how to lobby for the programme in Parliament, and new staff had to be hired with public administration and public finance expertise. YMCA members, a network of more than 310 dispensaries, and about 75,000 patients, were involved in advocating the programme.

Overall the YMCA's experience with Government is positive. The organization learned that in the long run, satisfying seemingly bureaucratic government requirements is worthwhile. The Government's commitment serves as an excellent example to donors of its support for CSO activities, and it helps raise contributions to other programmes. To solicit the grant, YMCA had to demonstrate that it was the only organization that could deliver such a service with high quality standards. Also the continuation of external support was essential because it encouraged the Ministry to maintain its support.

But the collaboration also had some negative impacts. It pushed the YMCA into political debates, required the adoption of bureaucratic financial and administrative procedures to meet government requirements, and induced hostility from other CSOs who believed they should have received a 'share of the pie'.

*Source: Sustaining Civil Society - Strategies for Resource Mobilisation, CIVICUS (1997)*

## DAY THREE/SESSION NINE: RESOURCES FOR SUSTAINABILITY FROM FOREIGN DEVELOPMENT AGENCIES

### 9.1 Foreign Funding for Organizational Self-Reliance

#### Purpose

*To illustrate what kind of funding is usually available from foreign funders.*

#### Text

As discussed in the Introduction, many CSOs have been heavily dependent on the resources of foreign development agencies and this has made them dangerously vulnerable to changes in such agencies' policies and practice, as well as separating them from the support that they might have received from their own countrymen/women and their country's institutions.

There is definitely a place for foreign donor support to CSOs, but it has become dangerously unbalanced, and moreover it has not tended to support the long-term sustainability of CSOs. Foreign donors' insistence on project funding has not helped build independent and sustainable CSOs, nor an independent citizen sector. There is a place for programme funding from foreign sources, but as a supplement to core financing which has been found from other sources, and for which the CSO is not dependent on a foreign donor.

This section, therefore, focuses on the kinds of foreign financing that support organizational self-reliance and leads towards organizational financial autonomy. The different methods of financing that are available to foreign agencies are basically the following:

- Emergency relief and welfare grants.
- Small grants tied to specific development projects, time limited and with specific budgets.
- Programme grants that allow the CSO to take its own decisions within agreed programme areas, and to adapt its plans as necessary.
- Grants for revolving loans, specifically for CSOs working in the microcredit business.
- Unearmarked organizational grants - ie contributions towards the CSO's whole work for them to use as they see fit.

What is being suggested here is expanding the methods of financing to include those that are specifically designed for organizational sustainability, like building reserve funds (sometimes called corpus funds), providing venture capital funding, financing fundraising strategies, and endowments. A smart CSO manager would research the way that each foreign funder worked and be prepared to submit proposals that fitted the requirements of each donor. These change over time, and CSO managers are often adept at packaging their proposals to fit the language attractive that is to donors.

The fields that we are talking about here, however, are not likely to be 'supply driven'. There are few foreign donors that have policies on financing CSO sustainability. It requires the CSOs to make the case (either individually or through a federation) to educate the prospective donor about the relevance and value of such financing, and to be well informed about the parameters of such funding, as well as the experience of different donors in its use.

#### Methodology

*This section is not going to deal with how to write better project proposals to foreign donor agencies. It will instead concentrate on those aspects of foreign donors who may be interested in supporting CSO self-reliance. Show OHT 57. Ask participants what kinds of funds they have received to date. Most will be small project grants. If there are others, ask how they were negotiated.*

## **Existing Funding Types**

- **Emergency relief and welfare grants**
- **Small grants tied to specific development projects, time limited and with specific budgets**
- **Programme grants that allow the CSO to take its own decisions within agreed programme areas, and adapt its plans as necessary**
- **Grants for revolving loans, specifically for CSOs working in the microcredit business**
- **Unearmarked organizational grants - ie contributions towards the whole of the CSOs work for them to use as they see fit**

## DAY THREE/SESSION NINE: RESOURCES FOR SUSTAINABILITY FROM FOREIGN DEVELOPMENT AGENCIES

### 9.2 Financing Fundraising Strategies

#### Purpose

*To illustrate what kind of funding is needed for organizational self-reliance.*

#### Text

A frequent response from CSOs that are responsive to the idea of moving from project funding through foreign grants to local resource mobilization, is that they need to have some funds up-front before they can employ new resource mobilization strategies, and they do not see where such funds are likely to come from. Where will they get the funds to build up, for instance, a mailing database, finance a fundraising event, or place the initial advertisement? There is very little experience of foreign donors providing the start-up capital for a CSO's resource mobilization strategy, but, at the same time, there is very little experience of CSOs asking for such funds, mostly because very few of them have seriously considered such strategies.

This is a chicken-and-egg situation. CSOs have not thought much about alternative resource mobilization; as a result they have not committed themselves to learn more about it; as a result they have not devised strategies that can be turned into funding proposals; and, as a result, few foreign donors have been faced with such proposals, and do not have in-house expertise in assessing any such proposals made to them.

#### Methodology

*Show OHT 58. Ask if there is any experience amongst participants about using these kinds of funds. How has it worked/how does it work?*

## **Foreign Funding for Organizational Self-Reliance**

- **Financing fundraising strategies**
- **Providing venture capital funding**
- **Building reserve funds (sometimes called Corpus Funds)**
- **Providing endowments**

## DAY THREE/SESSION NINE: RESOURCES FOR SUSTAINABILITY FROM FOREIGN DEVELOPMENT AGENCIES

### 9.3 Challenging Foreign Donors' Commitment to Financial Self-Reliance

#### Purpose

*To illustrate the problems in getting funding for resource mobilization approaches.*

#### Text

The expansion of interest in CSO financial self-reliance (of which this book is an example) means that more CSO staff are likely to get training in this field, and, following this, to make proposals to donors about the financing of self-reliance strategies. As is often the case, the foundations and international CSOs have been the pioneers in this field; organizations such as the Inter-American Foundation, the Ford Foundation, Ashoka: Innovators for the Public, and Oxfam all have some institutional experience and memory of funding resource mobilization strategies. A book of case studies of such experiences would be very valuable.

We need to take a skeptical (even a cynical) look, however, at the fact that very few foreign donors have initiated or promoted financial self-reliance financing. The 'aid trade', including the aid trade to CSOs, has mushroomed since the '60s. Large numbers of people from metropolitan countries are employed in the management of CSO funding, and large numbers of Northern development agencies have their basis in the supposed continuing need CSOs have for their services. If foreign donors were successful in making CSOs self-reliant and independent of them, many jobs might no longer be needed, and much rhetoric might need to be changed. A possible point of view might be that foreign donors have a definite interest in preserving a way of working that requires regular project proposals, together with the allied practices of proposal assessment, grant making, monitoring, and evaluation. If this was changed, they might be out of work!

CSOs need to challenge this. They need to point out the huge disparity between the rhetoric of self-reliance and the practice of serial dependency through project grants. They also need to point out the simple logic of foreign donors helping CSOs to practice doing without them. They could also point out that their services will be required to create self-reliance just as much as they were required in creating dependency.

#### Methodology

*Show OHT 59: CSOs are not asking for these kinds of funding; foreign donors are not actively promoting them.*

*Are there any participants who have asked for the kinds of funding which build self-reliance? What was the response?*

*Have any donors addressed this issue in the experience of participants? How?*

# **Financing the Resource Mobilization Approach**

## **Chicken and Egg Situation**

- **CSOs are not asking for it**
- **External Donors are not offering it**
- **Need for greater knowledge of existing experience**
- **Need to challenge external donors on their commitment to self-reliance**

## DAY THREE/SESSION NINE: RESOURCES FOR SUSTAINABILITY FROM FOREIGN DEVELOPMENT AGENCIES

### 9.4 Providing Venture Capital Funding

#### Purpose

*To illustrate the problems in getting venture capital funding.*

#### Text

In this case a CSO has identified an enterprise that it would like to run and is looking for the capital to start it up. Foreign donors are sometimes approached for such funds. Look back to the problems identified in Chapter 4 of the handbook for some of the likely responses to such requests. Foreign donors are probably most concerned about the CSOs' business competence - their ability to identify a viable business opportunity, their ability to make a viable business plan, and their ability to run the business efficiently, make money, and make sufficient money for the enterprise to provide sustainable income for the civil society organization.

A CSO that requests funding from an foreign donor for a business venture whose profits will be used to sustain the CSO's operating costs must expect their proposal to receive very tight scrutiny from the donor. Few CSOs have a reputation for commercial entrepreneurship, and donors will be very anxious (and rightly so) that the business will absorb the time and energy of the CSO management that should be going into the main mission of the organization. CSOs should think of separating, where possible, the management of the business from the management of the main work of the organization. Donors may also respond to a proposal for a grant by saying that a business should be prepared to take a loan, rather than a grant, and they may even say that a good business idea should be able to persuade local banks to lend them the money.

Apart from concerns about the viability of a business proposal, a donor is only likely to respond to a proposal for venture capital from an organization that the donor knows well, trusts, and believes in. It is not a viable strategy for a CSO that has not built up a long-term relationship with a donor. Donors are concerned that once a CSO has an independent source of income, it is free from donor oversight, and there is the danger that it may be taken over by a board or managers who will use that income for other purposes. When CSOs have to come to donors every three years for a further grant, the donor can serially satisfy itself that the organization is still doing the work that it says it is doing. Once it has an independent source of funds, the donor loses that control.

The argument may well be made that handing over control is part of the essence of development, but this argument is countered by donors saying that they have fiduciary responsibility to their government to minimise risks of their funds being misused.

#### Methodology

*Show OHT 60. Clarify that such funding is neither easy nor quick. Use the material in the handbook text. Do any participants have any examples of such an approach? How was it done? Do any participants have an idea how they would request such funds?*

## **Providing Venture Capital Funding**

**Foreign Donors will require:**

- **A mutually satisfactory preliminary period of working together through grant funding**
- **A very clear business plan (a building is a least risk option)**
- **The separation of the business from the CSO**
- **Comfort that the Governance of the CSO will not move away from its Mission**

**Business Success will Encourage Further Funding**

## DAY THREE/SESSION NINE: RESOURCES FOR SUSTAINABILITY FROM FOREIGN DEVELOPMENT AGENCIES

### 9.5 Non-Financial Resources

#### Purpose

*To illustrate the kinds of non-financial resources that foreign donor agencies can provide.*

#### Text

Foreign funders can be immensely useful to CSOs not just as suppliers of funds, but also in the information and advice they can give, which can help CSOs to become more self-reliant. The Ford Foundation, for instance, as well as being a funder of CSOs, has also organized a large number of exposure and training visits for them to the USA to see how community foundations, and other forms of sustainable citizen sector organizations work.

Another way in which Northern NGOs or foundations can help is to lend Southern CSOs some of the expertise that they have in fundraising in the North. Oxfam, for instance, is very experienced at both fundraising (in a variety of creative ways) and revenue generation (especially through their trading arm, Oxfam Trading). From time to time, they have lent people from their fundraising department to work with CSOs in the South.

#### Methodology

*Show OHT 61. Ask participants if they know of any foreign funding agencies with expertise in financial self-reliance, and whether they are prepared to share this.*

## **Non-Financial Resources**

### **Some Foreign Donors are experienced in aspects of Financial Self-Reliance**

- **They have funded CSOs to be self-reliant in the past**
- **They know examples of financially self-reliant CSOs from their own countries**
- **They know examples of financially self-reliant CSOs from other countries**
- **They may be able to supply legal, business, and other technical assistance**
- **They may themselves have experience of trying to be financially self-reliant themselves**

## DAY THREE/SESSION NINE: RESOURCES FOR SUSTAINABILITY FROM FOREIGN DEVELOPMENT AGENCIES

### 9.6 Case Study

#### Purpose

*To illustrate the different ways in which the approach of accessing resources for sustainability from foreign development agencies might work.*

#### Text

See the following handouts:

- Handout 16: Organization of Rural Associations for Progress (ORAP), Zimbabwe

#### Methodology

*Distribute the case studies to the participants. Ask someone from the participants to read each case study out loud. Ask for any reflections on the story. Do they know any operations like that? Is it possible to do something similar in their circumstances?*

## Organization of Rural Associations for Progress (ORAP), Zimbabwe

The Organization for Rural Associations for Progress (ORAP) is a social movement created in southern Zimbabwe in 1980 that currently links some 50,000 families grouped into peasant associations and federations of associations. It has become one of the most important rural social movements in Africa with an annual budget of some US\$ 2 million. The promotion of local economic activities such as farming, traditional crafts, and social activities clearly demonstrates the movement's impact, although there is still much to be done in terms of acquiring technological know-how and boosting output.

Aware of the implications and dangers of becoming over-reliant on the aid system, and of the system's inability to generate local capital, the director of ORAP recently drew up a long-term autonomy policy.

**Stage One: Self-Help.** ORAP is well organized and its members have received sufficient training to realize that future success depends on self-help and members' savings. A savings and credit scheme is therefore being promoted at the village, regional, and national levels.

**Stage Two: Flexible and Unearmarked Financing.** ORAP's negotiations with its donors ensure that external financing is elastic and flexible. About 80% of this aid is not earmarked for specific projects.

**Stage Three: Creation of Enterprises.** With the RAFAD Foundation's help, a study of possible financial activities was conducted. It found that, thanks to good management, it had assets that would enable it to launch three activities. Firstly, ORAP purchased a garage/petrol station in the regional capital: profit is made from petrol sales and the garage is used as a depot for ORAP's eight large trucks, donated for the transportation of food to regions in which there is a shortage. Secondly, a warehouse was built in the regional capital to help supply the villages and urban areas with building materials and other much needed products: it is managed by an ORAP team. Finally, a farm has been purchased that permits modern livestock breeding and technology transfer to groups of peasants in the surrounding area.

**Stage Four: Creation of a Capital Fund.** The main aim of ORAP's strategy is to use its reserves, already invested in economic activities, to increase its capital so that it can create businesses and grant credit to its members.

**Stage Five: Partnership with the Business Sector.** In 1993, ORAP actively sought ways to establish a source of sustainable income through the business sector. On the advice of the local business sector, ORAP enlisted the help of OXFAM Canada and Christian Aid UK as well as RAFAD. Several business ventures have since resulted, some successful and others less so.

**Stage Six: Creation of a local investment company.** To reduce the number of economic activities and create new businesses, ORAP decided to create a local investment company using the central campaign fund. Contributions are requested from certain investors for specific projects. This company is also open to investors from other Zimbabwean development organizations with the same objectives.

**Stage Seven: Creation of the ORAP Foundation.** All these tools and financial mechanisms require a legal structure to assure coordination and the integration of each tool into a global strategy. ORAP felt that the best way to manage this fund was to create the ORAP Foundation that will provide a legal, fiscal, and financial framework.

*Source: Sustaining Civil Society - Strategies for Resource Mobilisation, CIVICUS (1997)*

**DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR****10.1 Businesses That Have Helped CSOs****Purpose**

*To get an overview of businesses that have helped CSOs.*

**Text**

Businesses aspire to generate profits for their owners and their shareholders. It does not seem obvious for them to be interested in helping civil society organizations, or the causes that such organizations stand for. Civil society organizations seem to be a diversion from their main purpose of making money - and yet businesses are increasingly helping CSOs.

**Methodology**

*Prepare a chart with four columns with cards heading the columns 'Name of CSO', 'Name of Business', 'Kind of Help Received', 'Reasons for Help'.*

*Ask participants to make up sets of four cards to correspond to these four columns for any help that their organization may have received from a business, and stick them up.*

*Once all are stuck up, reflect on what information you have got. Any similarities? Any generalizations?*

*Ask those who have an example to tell the story of how they requested assistance from a business and how the business responded.*

*Exercise 11***List Businesses That Have Helped CSOs**

Name of CSO	Name of Business	Kind of Help Received	Reason for Help
1			
2			
3			
Etc.			

**After the list is complete, reflect on generalities, and similarities.**

**What kinds of help are most common?**

**What organizations/causes get most help?**

## DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

### 10.2 Why do Businesses Give to CSOs?

#### Purpose

*To get an overview of the reasons businesses help CSOs.*

#### Text

- **Because They Want to be Seen by the Public, by the Government, and by Their Shareholders as Good 'Corporate Citizens':** If they are identified with causes that people think are worthwhile and worth supporting, people who are important to them will think well of the company. They will then make decisions, at the margin, that are advantageous to the company.
- **Because They Want to be Associated with Specific Causes that Enhance Their Image and Focus Attention on Their Product or Service:** If a company is identified with a particular service which society considers worthwhile, and which reflects the specific product or service of that company, the identity of the company as a good citizen is deepened.
- **Because Their Competitors are Supporting Good Causes:** Businesses are notoriously keen on watching their competition. If it appears that their competitors are involved in the support of good causes, it is likely that they will look for opportunities to do so too.
- **Because Senior Staff are Interested in a Particular Issue:** In times gone by it would probably be the wife of the chairman who would take responsibility for the welfare involvement of the company. Now, with a greater company interest in social responsibility, the senior staff of a company, particularly the board members or the managing director, are encouraged to take a corporate interest in good causes. This will often be expressed through the particular interests of those people.
- **Because They are Asked, and are Given Compelling Reasons for So Doing:** Businesses do not change overnight, even under the pressure of fashion, to become less interested in maximizing profits. They are amenable to arguments, however, which demonstrate that they will gain long-term advantages in the market-place by being identified with good causes, and by being identified with CSOs which are credible and experienced operators in the particular field in which they are interested. They need to be convinced that their assistance to a CSO is a long-term investment that will lead to an increase in new markets in the future.
- **Because they are Interested in Having a Good Reputation with Their Staff:** A number of businesses consider that a well-motivated workforce, including one that respects the business' social commitment, will be both more productive and less susceptible to work disruption.
- **Because They Get Some Tax Benefits:** This is often advanced as the argument for corporate social investment. It is more likely to be an added incentive at the margin when other factors persuade a company into programmes of social responsibility.

#### Methodology

*Ask the question first, and note answers on flip chart. Then show OHT 62. Ask participants which ones seem most likely to them, or, if they have some inside knowledge of how businesses work, which do they know to be most important.*

## **Reasons for a Business to help a CSO**

- **Because they want to be seen by the public, by the Government, and by their shareholders as good corporate citizens**
- **Because they want to be associated with specific causes which enhance their image and focus attention on their product of service**
- **Because their competitors are supporting good causes**
- **Because senior staff are interested in a particular issue**
- **Because they are asked, and are given compelling reasons for so doing**
- **Because they are interested in having a good reputation with their staff**

## DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

### 10.3 What's In It For Me?

#### Purpose

*To get an overview of the reasons businesses help CSOs.*

#### Text

Companies in business to maximize profits are inclined, not surprisingly, to ask this question (often abbreviated to WIIFM?) when they are approached by CSOs. CSOs that are interested in accessing resources from business must therefore do their research well, and be able to put forward proposals to potential corporate funders that emphasize the advantages that their support to the CSO will bring them. CSOs need to know more about the companies that they wish to target, think about the valuable information, exposure, contacts, services, and experience that they can bring to the company, and consider the cultural differences between the ways in which they work as CSOs and the ways in which companies work.

Sadly, many CSOs do not operate like this: they make proposals to businesses with the attitude that it is the duty of business to support their work, and that they are, in effect, doing businesses a favour by offering them a chance to fund their work. A much more sensible and effective approach is to accept that the major motivation for businesses to help CSOs is enlightened self-interest—and help them to see the WIIFM ('What is in it for me?') angle. Look for ways that the mission of your CSO can be furthered in some way that also provides an advantage to the company.

CSOs should not be naïve in their relations with business, however. There are risks of doing business with the corporate sector. It would be possible for a CSO to get involved with a company promoting a technology or a product that is not of real benefit to the community with which the CSO is working. CSOs must think carefully about which company they should collaborate with, and which they should avoid. It is even possible that the CSO's proper role with some companies should be to campaign against them.

If, however, a CSO has done its research properly and has decided that a particular company has good potential as a collaborator, it must approach the company prepared to think like a business. Two likely goals from the business perspective are:

**To build employee morale:**

- through the development of employees' living area;
- through offering volunteering possibilities;
- through offering donation-matching programmes.

**To develop the company's business image and its market development:**

- through linking the company to a respected topic;
- through increasing its name recognition;
- through involving the company in recognized critical social problems.

#### Methodology

*Read the full text in the handbook. Discuss the motivation for businesses. Discuss the concept of enlightened self interest and the win-win situation where both parties gain some advantage.*

*Show OHT 63. Do the participants think that these motivations are important in your country? Can they give any examples?*

## **Business Goals**

- **To build employee morale:**
  - **through the development of employees living area**
  - **through offering possibilities of volunteering**
  - **through offering donation matching programmes**
  
- **To develop the companies business image and its market development:**
  - **through linking the company to a respected topic**
  - **through increasing its name recognition**
  - **through involving the company in recognized critical social problems**

## DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

### 10.4 Research in the South

#### Purpose

*To show an example of research in this area.*

#### Text

There has been a lot of research on company giving behaviour in the North, but very little on that in the South. In 1997, however, the NGO Resource Centre in Pakistan undertook an interview survey study to document and analyze the current trends of corporate philanthropy in Pakistan. Interviews were conducted with senior officials in 120 companies. The questions focused on the role of development CSOs as perceived by the country's business community, and explored the underlying factors governing the volume and direction of corporate giving.

The survey found strong evidence of a definite willingness among corporate leaders to 'play their part' in social development. It is widely asserted among corporate leaders that the government of Pakistan has been unable to keep pace in providing social services to the growing population. Although this has created a forbidding social backlog, business recognizes that there is a promising potential to tackle the backlog through organized voluntary citizen initiative. At the same time, the most common form of corporate philanthropy is directed towards needy individuals and families. Business leaders expressed an 'in principle' openness to a more developmental approach, but do not yet have the confidence in or experience with CSOs to invest in working through and with them.

The survey results indicated the following:

- **Low Levels of Professionalization in Giving:** Only a fifth of the companies have written corporate giving policies.
- **Encouraging Patterns of Participation:** 93 per cent of participating companies reportedly engaged in social development activities in one form or another.
- **Corporate Policy on Involvement in Social Activities:** The companies commonly understood 'corporate social responsibility' as: paying taxes; looking after employee welfare; making donations to CSOs, charities, and/or target groups and needy individuals; seconding staff to charitable projects.
- **Social Fields Supported:** Companies supported health (at 37 per cent), education (at 25 per cent), environment protection & pollution control (at 20 per cent), and child welfare (at 16 per cent).
- **The Deciding Factor:** Personal relationships were the most important factor in choosing who to help.
- **The Credibility of CSOs:** Only organizations that were well known and credible were considered.
- **Realization of Expected Benefits:** The majority of the companies reported satisfaction with the extent to which the benefits of their interventions had been derived.
- **Expected Benefits from Involvement in Social Development:** (a) altruism (b) building the image of the company (c) enhancing public goodwill. None of the respondents volunteered tax benefits as an incentive.

#### Methodology

*Such research is done heavily in the North, but there are not many examples from the South. Do participants think that there would be big difference in the attitudes of businesspeople in their country?*

*Show OHT 64. Are there any surprises here? Is this what participants expect?*

# Research into Business Giving in Pakistan

- 20 per cent had written corporate giving policies.
- 93 per cent engaged in one or other form of social development activities
- ‘Corporate social responsibility’ meant:
  - a. paying taxes
  - b. looking after employee welfare;
  - c. making donations to CSOs, charities, and/or target groups and needy individuals;
  - d. seconding staff to charitable projects.
- Companies supported health (at 37 per cent), education (at 25 per cent), environment protection & pollution control (at 20 per cent), child welfare (at 16 per cent).
- ‘Personal relationships’ were the most important factor in choosing who to help
- Only ‘well known/credible’ organizations considered.
- Most reported satisfaction with their interventions
- Reasons for involvement were (a) altruism (b) building the image of the company (c) enhancing public goodwill
- None of the respondents volunteered tax benefits as an incentive.

## DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

### 10.5 Corporate Social Responsibility

#### Purpose

*To understand the variety of ways that businesses practice social investment.*

#### Text

Corporate Social Responsibility (CSR) is becoming increasingly the acceptable way through which CSOs can approach the corporate sector. Not all businesses are at the same stage in their approach to CSR, however, and not all businesspeople see their role in the same way. It is likely that the CSO approach to a business will be targeted at one of the following three stages in business thinking:

1. Corporate philanthropy
2. Business/community partnerships
3. Strategic business interest

**Corporate Philanthropy:** This is usually in response to requests that come to the company from CSOs for a huge variety of help. Depending on the company, there may be a special section that deals with such proposals, or they may be handled by the company director (or the spouse, or the secretary of the company director), or they may be passed to the public relations or marketing departments. Some companies like to handle their corporate philanthropy through contributing to a business foundation which then takes on the responsibility for identifying which proposal to respond to; some larger businesses set up a corporate foundation of their own which becomes the agency for their philanthropy. The attitude of the business is that they ought to help 'deserving causes' and they are interested in identifying the most competent organizations and proposals to respond to. They may have particular causes that they are most interested in eg drug rehabilitation, disability, conservation but they are, in the main, responsive to community initiatives.

**Business/Community Partnerships:** This is usually based on a collaborative decision-making process whereby both the community (often represented through a CSO) and the business see an opportunity for a mutually satisfactory programme of collaborative work. The idea may come from either side, but both partners are involved in the decision-making process, both sides are committing something, and both sides are assuming some of the risks. Medium and small companies and business/trading associations have immense potential to support local causes in imaginative ways. Their strength lies in easy access, understanding local needs, and non-financial resources.

**Strategic Business Interests:** This is usually based on an initiative of the business, and the decision is made in the company to invest in some aspect of social development that will provide tangible benefits to the company. CSOs may help to develop the ideas, or may be implementers of them, but the company is in the driving seat.

#### Methodology

*Read the examples from the handbook text. Show OHT 65. Ask participants for examples that they know of for the three types of corporate social investment.*

## **Spectrum of Corporate Social Responsibility**

- a. Corporate Philanthropy**
- b. Business/community Partnerships**
- c. Strategic Business Interest**

## DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

### 10.6 Negotiating with Business

#### Purpose

*To learn the arguments to use with businesses.*

#### Text

Because most CSOs are unfamiliar with businesses, business people and the business culture, they are shy of initiating business contacts, not knowing the language that they should use and the concerns that should be addressed. The Concern India Foundation produced a very useful primer for CSOs addressing businesses for the first time, produced in the form of likely questions from business, and useful answers from CSOs. A CSO intending to approach a business would do well to learn some of these responses by heart!

#### **CONCERN INDIA: Questions and Answers**

##### **Why is giving relevant to my company?**

- *Business cannot operate in isolation from society.*
- *Having a social vision is integral to the success of the business mission.*
- *A social investment strategy is a must for any progressive company.*
- *Qualified professionals increasingly prefer to work for a company with a social commitment.*
- *Customers show preference for doing business with companies that are environmentally conscious and socially driven.*
- *Communities and governments expect companies to be good corporate citizens.*

##### **Why should I be asked to do this? I pay taxes, shouldn't the government be doing this?**

- *Government does not always have the capability or resources to do everything.*
- *There are some things that are best done by CSOs and local communities.*
- *There are some sorts of support and expertise that only companies can provide.*

##### **How do I make sure that my money will be well spent?**

- *Select a project that meets your criteria, has clearly identified objectives and the right development approach.*
- *Route your support through a credible development agency.*
- *Insist on the CSOs providing you with the feedback you require.*
- *Visit the project.*

##### **I don't have any spare funds, so how can I contribute?**

- *You can give material resources, such as old furniture and equipment, or company products.*
- *You can provide technical know-how, financial and management skills, media links.*
- *You can help implement schemes through your company's operations - like constructing low-cost housing or toilets.*

Source: WWFH

#### Methodology

*Ask participants if they have ever had the experience of making a pitch at the Director (or other senior officer) of a business in order to get funding for their organization. Show OHT 66. Ask participants which argument they think would work in their country.*

## Concern India: Questions and Answers

### Why is giving relevant to my company?

- *Business cannot operate in isolation from society.*
- *Having a social vision is integral to the success of the business mission.*
- *A social investment strategy is a must for any progressive company.*
- *Qualified professionals increasingly prefer to work for a company with a social commitment.*
- *Customers show preference for doing business with companies that are environmentally conscious and socially driven.*
- *Communities and governments expect companies to be good corporate citizens.*

### Why should I be asked to do this? I pay taxes, shouldn't the government be doing this?

- *Government does not always have the capability or resources to do everything.*
- *There are some things that are best done by CSOs and local communities.*
- *There are some sorts of support and expertise that only companies can provide.*

### How do I make sure that my money will be well spent?

- *Select a project that meets your criteria, has clearly identified objectives and the right development approach.*
- *Route your support through a credible development agency.*
- *Insist on the CSOs providing you with the feedback you require.*
- *Visit the project.*

### I don't have any spare funds, so how can I contribute?

- *You can give material resources, such as old furniture and equipment, or company products.*
- *You can provide technical know-how, financial and management skills, media links.*
- *You can help implement schemes through your company's operations - like constructing low-cost housing or toilets.*

*From: The World Wide Fundraisers Handbook. DRC & Resource Alliance. London 1997*

**DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR****10.7 Overtures from the Corporate Sector****Purpose**

*To learn about approaches that the business sector is making to CSOs.*

**Text**

While it is obviously important for CSOs to learn how to approach businesses, and to know how to put their case for support, it is also true that businesses are increasingly looking for CSOs to help them with their social investment. Sometimes companies themselves decide the cause that they would like to support, and look for CSOs to help them implement programmes; sometimes companies (either on their own or, increasingly, in collaboration with other businesses) set up grant-making foundations with the mandate to fund professionally good development work. In some cases the companies pass over the responsibility for the funding criteria to the board and management of the foundation; in other cases companies define the funding criteria to fit in with their own interests; and in yet other cases they combine the two, with a certain percentage going to the foundation for funding decisions, and a certain percentage being left to the discretion of the company (see Case Study 10.3 on the Philippine Business for Social Progress which follows).

**Methodology**

*Show OHT 67. Ask participants whether they have ever had an approach from the business sector, and, if so, ask them to describe it.*

## **Overtures from the Corporate Sector**

- **Companies are increasingly looking for CSOs**
  - **either directly**
  - **or through a business foundation**

**If they work through a business foundation, then businesses can either**

- **retain the right to choose the cause, or**
- **devolve this responsibility to the business foundation, or**
- **combine the two**

## DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

### 10.8 Limitations and Barriers

#### Purpose

*To learn about limitations to good corporate social responsibility.*

#### Text

The following are the possible limitations and barriers to good corporate social investment through CSOs:

- **Many Requests, Limited Resources:** Businesses will tell CSOs how many requests they receive for funds. Usually they will say that most are consigned straight to the wastepaper basket since such proposals are photocopied letters without any attempt to identify the interest of the business except as a writer of cheques.
- **Corporate Structures and Responsibilities:** CSOs do not necessarily know whom they should approach with their proposals. CSOs do not know to whom they must make their pitch, and they may target the wrong person who does not have either the budget or the mandate to support the CSO.
- **Business Unfamiliarity with CSOs and Community Issues:** It is important for CSOs to present themselves to business as fellow professionals. Business people know about their world, and CSOs know about their world. If businesses are interested in social investment, it is important for them to realize that their best guide to this world is a civil society organization.
- **Time:** It is a cliché to say that 'time is money' for a business person, but business people will not give a CSO a great deal of time to 'sell' them an idea. CSOs need to rehearse their presentation and be ready with a short, hard-hitting, and persuasive approach.
- **Personnel Changes:** CSOs should aim, wherever possible, to get an organizational commitment to helping your agency rather than just the interest of an individual. This can be done by providing reports and encouraging visits from a range of people in the company.
- **Stereotypes:** It is likely that CSOs have strong stereotypes of the business world, and it is also likely that the business world has strong stereotypes about the CSO world. The first exchanges between the two are likely to need time for these respective prejudices to be aired and dealt with. The request for, and acceptance of, corporate social responsibility should be entered into by people who respect each other, and respect the value of what each other is doing. If you think you should be lobbying against a particular business, do approach them for funds or respond to their solicitation.

#### Methodology

*Show OHT 68 section by section. How accurate do participants think these barriers are in their country?*

## **Limitations and Barriers**

- **Many requests, limited resources**
- **Corporate Structures & Responsibilities**
- **Business unfamiliarity with CSOs and Community issues**
- **Time**
- **Personnel Changes**
- **Stereotypes**

**DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR****10.9 Case Studies****Purpose**

*To illustrate the different ways in which the approach of accessing resources from the corporate sector might work.*

**Text**

See the following handouts:

- Handout 17: How the Red Cross in Botswana Raises Money From Companies (Corporate Philanthropy)
- Handout 18: Citicorp's Banking on Enterprise (Strategic Business Interests)
- Handout 19: Philippine Business for Social Progress (Business/Community Partnerships)

**Methodology**

*Distribute the case studies to the participants. Ask one of the participants to read each case study out loud. Ask for any reflections on the story. Do they know any operations like that? Is it possible to do something similar in their circumstances?*

**How the Red Cross in Botswana Raises Money From Companies  
(Recounted by Lady Ruth Khama, President, Botswana Red Cross)**

We started off by writing to larger businesses appealing to them to donate to us on an annual basis. We suggested Pula 5000 for the larger companies, and reduced this amount where we felt it necessary. We did not expect any of them to give at this level, but if you suggest a smaller amount, they offer an even smaller sum. But it did give them an idea of what we were looking for. Some actually did come up with the amount suggested. Overall the response was very pleasing. And most who made a commitment did actually pay up. We enjoy popular support in the community as the Red Cross Movement, which makes it easier to persuade people to part with their money. It really is essential to have their confidence and for them to be aware of what you are doing; and also to keep proper accounts, and to supply audited accounts on requests if anyone wants to see them.

It is not just enough just to write letters to General Managers or Managing Directors. The personal approach has far more impact. It is more difficult to refuse if someone is sitting across the table from you. It also helps to invite people home and share a meal or a drink whilst discussing the issue.

The Managing Director of one of our leading companies has always been a dedicated Red Cross fan. He decided not to give to us in response to our appeal, but instead to organize once a year a fundraising evening for our benefit, meeting the cost of this himself. He put on fantastic shows which were hugely popular and charged enormous amounts for the tickets! He has now left Botswana, but the man who has taken over has continued with a similar idea - not putting on shows, because he says he has no talent for it, but, as he is a keen golfer, once a year he organizes a golf championship as a charity event to benefit the Red Cross.

A corporate appeal can snowball if you have the right people receiving your requests. We raise about Pula 70,000 annually, but some companies give to us in kind - for example, one wholesale company donates bags of mealie meal each month for our disabled training centre. The cost of running the appeal is almost nothing, as it consists mostly of stationery and stamps to remind companies if they happen to forget. Most companies take advantage of giving to us by promoting themselves in the media when they hand over cheques. We do not mind this: in fact we welcome it, as it also advertises what we do. Other competitor companies, in order not to be outdone, decide also to give. More snowballing.

The main lesson learnt is the need to build the donor's confidence - making people aware of our rehabilitation and relief programmes, our training centre for the disabled, the work of our volunteers, and most importantly to convince them that the money they give us will be well spent, that we are working with the most needy and doing the best work. In Botswana we have far too many organizations appealing to too few donors. It is therefore our job to persuade people that they

could do no better than support our cause because we will use the money the way that they would want it to be used.

*Source: The World Wide Fundraiser's Handbook – a Guide to Fundraising for Southern NGOs and Voluntary Organizations, DSC and Resource Alliance (1996)*

### **Citicorp's Banking on Enterprise**

Citicorp does not normally offer loans secured against a one-woman hair braiding business. But in the last few years it has started to do just that, as part of a corporate policy to support 'microcredit' schemes. The idea is that such small businesses are promising but are so small and speculative that they would fail to appear on the radar of Citicorp or any other mainstream commercial bank.

The policy also forms part of a changed attitude to development in emerging economies and in the poorest inner-city areas of the USA. Rather than attempt to build the economy through big infrastructure projects, or through persuading large companies to re-locate there, the idea is now to stimulate small businesses to grow. According to Paul Ostergard, president of the Citicorp Foundation: 'Most corporations look in their philanthropy for an obvious connection, something that will make obvious sense. Micro-lending fits that criterion'.

Citicorp, the largest bank in the USA when judged by deposits, still does not make the loans directly. Through the Citicorp Foundation its money funds a variety of non-profit, independent charitable or religious foundations that administer the schemes on the ground. Geographically the spread of small business matches Citicorp's global presence. It offers loans in a range of developing nations, particularly in Latin America and the Indian sub-continent.

Citicorp's involvement has, so far, been solely philanthropic but there are clear opportunities for the scheme to create direct advantage for the bank. In Bangladesh, where the schemes were first launched by the Grameen Foundation, there is evidence that the repayment rates on small loans (around \$50) is between 95-100% and borrowers are returning for second and third loans - steadily becoming 'economic citizens'.

Like most corporate community involvement schemes, micro-lending is, ultimately, in Citibank's indirect or 'enlightened' self-interest. Citibank has set a goal for the organization to build its retail customers globally, aiming for a billion customers by 2010. Any programme, which increases the number of people who could benefit from a current account, is likely to help the bank reach this goal. It could also produce direct, positive results for the company. Some micro-lending institutions themselves are not large enough to need the services of an international bank, such as Citicorp. They are not being targeted by the bank's financial institutions group as offering potential for expansion.

*Source: Responsible Business - A Financial Times Survey, 1998*

## Philippine Business for Social Progress

Several collaborative efforts in the Philippines provide corporate support for the highly active CSO sector. The Philippine Business for Social Progress (PBSP) was founded in 1970 by 49 companies to engage corporate commitment to social development and to support programmes promoting self-reliance and the sustainable development that is critical to the Philippines' economic growth and development. The intent was to pool resources in a multibusiness effort to address critical issues facing the nation ranging from economic stagnation to natural disasters. The businesses pledged 1% of the preceding year's profits to support an organization that would have professional staff act on their behalf to address social issues in a significant way. Later it was agreed that 20% of that 1% would be given to PBSP to spend, while 80% of the 1% would be spent by the donating company in ways that they decided - usually on projects to help the areas where their employees lived.

Today PBSP has 179 members including local and multinational companies such as San Miguel Corporation, Shell, IBM Philippines, Nestle Philippines and Jardine Davies. Its 1994 budget was US\$6.5 million. It is not a philanthropic organization. Its primary mission is to develop economically self-reliant communities. Even assistance given to disaster victims is designed to focus on crisis preparedness and income generation.

PBSP has four programme areas in which it works on its own account, through local CSOs, and through local governments. These are community organizing, enterprise development, institution building and technology transfer. It also works to improve the effectiveness of local government management of services; provides access to credit for small and medium sized enterprises; particularly in rural areas; supports agrarian reform; promotes environmental protection and conservation; and offers a venue for corporate CEOs to consider business responses to important social issues such as education and the environment. In 1994, PBSP undertook 179 projects in its four priority areas. The organization has also adopted the Area Resource Programme approach which integrates the four areas in single projects to bring comprehensive socio-economic development to targeted poverty areas.

*Source: Sustaining Civil Society - Strategies for Resource Mobilisation, CIVICUS (1997)*

## DAY THREE/SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS

### 11.1 Building Reserve Funds

#### Purpose

*To illustrate how reserve funds can be built up.*

#### Text

A reserve fund is a fund that a CSO sets up from savings that it has been able to make on its main work, and which then can be used either to generate more money through investments, or for venture capital for new ideas that the CSO may have. The main point about a reserve fund is that it is untied - ie it consists of money owned by the CSO that does not have to satisfy any donor conditionalities.

Reserve funds can be built up from the following sources:

- Money raised from the general public (or other fundraising ventures) that is not needed for immediate operating expenses, usually because the programme operating costs are being provided from another source.
- Money that the CSO has saved on contracts that it may have undertaken for donors or government.
- Money that CSOs have received from fees for service.
- Money that the CSO has saved from financial dealings (income from exchange rate fluctuations, or from short-term investments of funds received from foreign donors).
- Money received from management fees or a management overhead as part of a foreign-funded project.
- Contributions to the reserve fund (sometimes called a corpus fund).

Any money that is surplus to the CSO's immediate needs can be put into a reserve fund, which is then invested to attract interest and increase in size. CSOs have the option of using these funds in a variety of ways. They can invest the funds in financial instruments locally or, depending on the banking rules in your country, offshore. They can use the funds to invest in their own (or others') businesses. As was mentioned previously, however, CSO people are not usually very good businesspeople, and lack experience and expertise in such fields. They would be well advised to get professional help in how and where spare funds can be invested. In some cases they will need legal advice as to how such funds should be owned since, in some countries, CSO reserve funds will attract tax. The diagram that follows shows how this might be achieved.

#### Methodology

*Get examples from the handbook text.*

*Show OHT 70, and then the diagram – OHT 69. Go back through the sections of OHT 70 and ask if there is any experience from participants of using reserve funds. If so, ask participants to share how they did it, successes and challenges. Where is it best to invest? What dangers are there? Which donors will not let you do this?*

*Some participants may already be breaking donor rules. Encourage them to be open so that others can learn.*

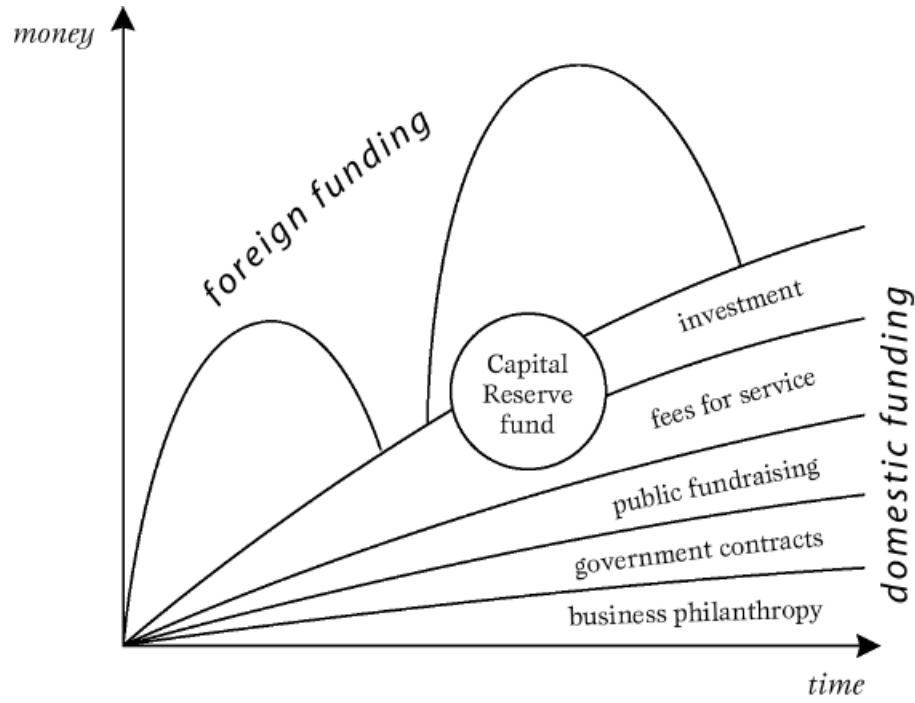
## **Building Reserve Funds**

- **Money fundraised from the general public (or other fundraising ventures) that is not needed for immediate operating expenses**
- **Money that the CSO has saved on contracts that it may have undertaken for donors or government**
- **Money that CSOs have received from fees for service**
- **Money that the CSO has saved from financial dealings (eg changes in exchange rates, short-term deposits)**
- **Money received from management fees or a management overhead**
- **Contributions to the reserve fund (sometimes called a corpus fund)**

**Make sure it is wisely invested.**

**Unfortunately Many External Donors Do Not Allow their Funds to be so Used**

# The Use of Reserve or Corpus Funds



## DAY THREE/SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS

### 11.2 Endowments

#### Purpose

*To inform participants what foreign donors require when making an endowment.*

#### Text

As we have seen in the previous section, reserve funds can be invested to create an income stream for the CSO into the future. In this sense they become endowments. This section looks at funds that are used to set up an endowment as a deliberate policy of sustainable financing. While we usually think of endowments as money in the bank or in stocks and shares, endowments can equally be in property, land or equipment. Foreign donor funds for endowments can be directed either at a particular CSO (in which case it is likely to be a large organization to have the financial management skills to handle an endowment), or, more often, directed at a purpose-built foundation which then acts as a source of funding for smaller CSOs. Whether the endowment is for the former or the latter, however, the requirements are similar:

- **Trust by the Foreign Donor in the CSO's (or Foundation's) Long-Term Future:** A donor has to be convinced that the governance of the CSO or foundation will not modify the aims and mission of the organization once an independent income stream is acquired. This requires either a long-term relationship between CSO and donor, or very tightly crafted legal articles of association for the CSO or foundation, or both.
- **Very Competent Financial Management Skills by the CSO or Foundation:** The CSO or foundation has to know how to plan and manage investments that will maximize income, but at the same time provide an income flow of the size and at the time that it is needed. It has to know the respective advantages of investing locally or offshore and of complying with all local laws and regulations, and it has to be able to deal with very volatile money markets and rates of inflation in many countries.
- **A Supportive Legal and Fiscal Environment:** This basically means a situation where the governance of the CSO or foundation is inviolate from invasion, and where the CSO or foundation will be free from taxes.
- **Enabling Donor Rules and Regulations:** At the time of writing, for instance, CIDA is unable to use its funds to set up endowments for CSOs because its Treasury Board rules do not allow it. USAID did not use to allow it, originally, but changed their rules by Act of Congress in 1988.
- **Time:** Setting up an endowment is not in any way a quick fix for a CSO's funding problems. It requires a lot of preparation and training of staff for new roles, or hiring of new staff. In the case of a foundation that is intended to deal with the civil society sector as a whole, even more time is required because the CSOs as a whole need to agree to its setting up and a long participatory process of consensus-building needs to be undertaken.

#### Methodology

*Explain what endowments are. What kinds of organizations have endowments in your country? Show OHT 71, and go through it one by one. Can any of the organizations represented by participants measure up to these demands?*

## **Donor Requirements for an Endowment**

- **Trust by the External Donor in the long term future of the CSO (or the foundation)**
- **Comprehensive financial management skills from the CSO (or Foundation)**
- **A supportive legal and fiscal environment**
- **External donor rules which allow the endowment modality**
- **Time**

**DAY THREE/SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS****11.3 Comparison between Grant Funding and Endowment Funding****Purpose**

*To inform participants of the difficulties that endowment funding poses to a donor.*

**Text**

A donor who is asked for an endowment has to consider not only the priority it places on building financial self-sufficiency for the CSO or the citizen sector, but also the alternative uses of its funds.

Endowments are extremely expensive. A large amount of money is granted to an organization to invest in order to get a percentage of that money as interest for the organization to spend on its ongoing work. An organization can look to an endowment to supply the funds for all its operating expenses, or it can look to it to supply a portion of this, with the rest made up from other resource mobilization strategies. Whichever way it intends to operate, it needs to start from what it needs in operating revenue, and then work to back to what investment is needed to supply that revenue.

The diagram on the next page illustrates the difference from the donor's perspective of making an annual grant of US\$50,000 to a CSO, or making an endowment that will result in the CSO receiving interest of US\$50,000 based on a 5 per cent rate of interest. A conservative rule of thumb is that a CSO might get 5 per cent real interest on its investment after allowing for inflation and the cost of managing the money. This may seem surprising given the high rates of interest being offered for term deposits in many banks in the South, but inflation can undercut these advantages.

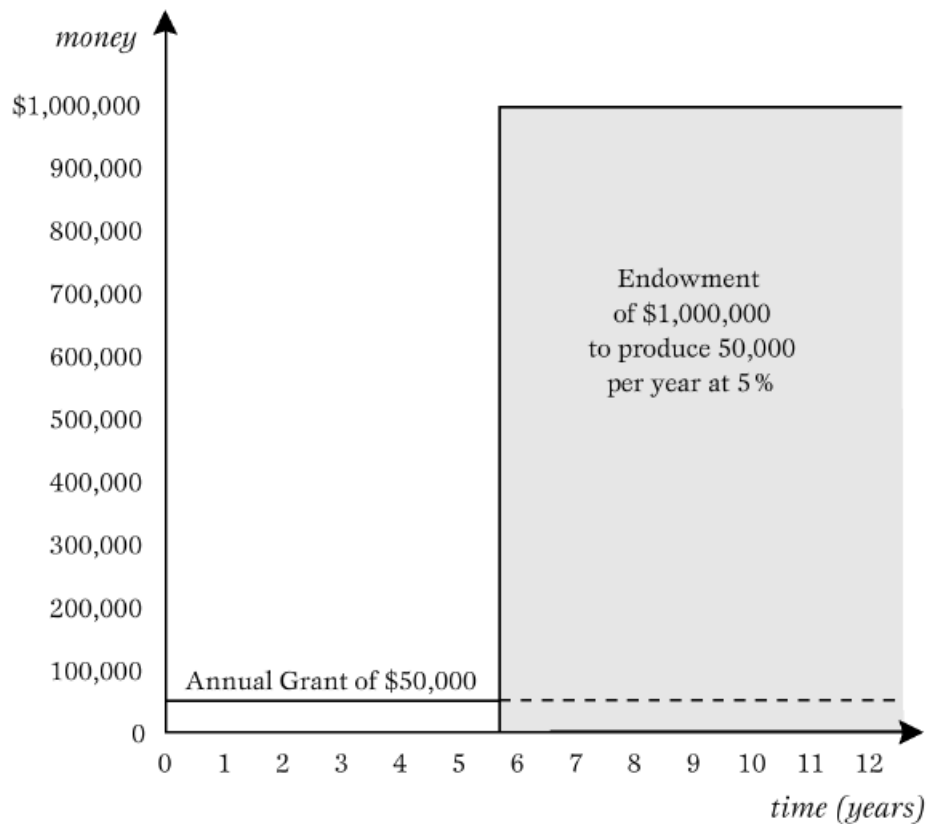
As can be seen, a donor has to think about tying up US\$1,000,000 in one organization, as opposed to funding 20 organizations at US\$50,000 per year. On the other hand, an endowment strategy will result (if it is well managed over a 20-year time-frame) in 20 autonomous and self-reliant organizations at the end of that time. A grant-making strategy will only result in the same 20 organizations being as donor dependent at the end of 20 years as they were at the start.

**Methodology**

*Show OHT 72 and explain it carefully. Reflect on the request for an endowment from a donor's perspective, showing the difference between serial funding and an endowment.*

*Use the illustration to make all the points in the text.*

## Comparison between Serial Funding & Endowment



**DAY THREE/SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS****11.4 Case Study****Purpose**

*To illustrate the different ways in which the approach of accessing resources from the corporate sector might work.*

**Text**

See the following handout:

- Handout 20: The Foundation for the Philippines Environment, Philippines

**Methodology**

*Distribute the case study to the participants. Ask someone from the participants to read each case study out loud. Ask for any reflections on the story. Do they know any operations like that? Is it possible to do something similar in their circumstances?*

## **The Foundation for the Philippines Environment**

The Foundation for the Philippines Environment (FPE) was legally established in January 1992 through the efforts of environmental and development CSOs in the Philippines and the United States, and the Governments in each country (principally USAID and the Philippine Department of Environment and Natural Resources). The process included extensive civil society consultations in the Philippines, eight formal regional consultations, and national conferences of eight major CSO networks. In total, more than 300 CSOs and 24 academic institutions were engaged in the process.

The founders of FPE also consulted widely with international actors and conducted a study tour on philanthropy, funded by the Ford Foundation, to expose the new organizations initial governing board to US organizations with expertise in foundation formation, governance and grants management.

It took more than three years to create the endowment - from the beginnings of negotiations between governments in 1991 to the 1994 completed debt swap issued to the World Wildlife Fund (now the Worldwide Fund for Nature) and the Philippine Business for Social Progress, which in turn led to the creation of the FPE. Foreign assistance of about US\$18 million (mostly from USAID) was used to purchase debt valued at about US\$29 million. Currently FPE's endowment is worth US\$23 million.

FPE has been careful not to compete for funds with Philippine CSOs, viewing itself as a fund facilitator. It turned down an opportunity for funds from Switzerland that it felt might better go to other organizations.

In 1993 FPE disbursed more than US\$ 1.5 million in grants through a variety of mechanisms that include responses to proposals and pro-active grants on issues that the Foundation deems of importance. FPE also acts as a fund facilitator, generating additional financial resources and providing financial linkages between donors, Philippine CSOs, and Philippine people's organizations.

*Source: Sustaining Civil Society - Strategies for Resource Mobilisation, CIVICUS (1997)*