

DAY FOUR

- **SESSION TWELVE: CONVERSION OF DEBT**
- **SESSION THIRTEEN: MICROCREDIT PROGRAMMES**
- **SESSION FOURTEEN: SOCIAL INVESTMENT**
- **SESSION FIFTEEN: USE OF THE INTERNET**
- **SESSION SIXTEEN: DECIDING WHICH WAY TO GO – NEXT STEPS**

DAY FOUR/SESSION TWELVE: CONVERSION OF DEBT

12.1 Conversion of Debt

Purpose

To learn more about national debt.

Text

Many Southern countries' governments are heavily in debt. The servicing of that debt eats up a huge amount of the countries' income, and there is very little hope that the principal will ever be repaid. In many countries, North and South, there is a growing determination to get such debt cancelled to different degrees; one campaign is called Jubilee 2000 and has been started by churches (but spread far beyond them), and another initiative is called Highly Indebted Poor Countries (HIPC) Initiative and was designed by the World Bank.

Apart from these macro-level efforts to resolve the problems of poor countries' indebtedness, there are other ways of converting foreign debt into funds that are available for CSOs. This creates new money by working a procedure that allows organizations to 'buy debt' in foreign currency at a discount, and to make available a multiple of that in local currency for development purposes. The procedure is complicated and time-consuming, but has been successfully implemented in many countries of the world.

Many countries in the South have borrowed hard currency from sources in the North. These sources may have been commercial banks, countries ie bilateral aid organizations - or multilateral institutions, and the money borrowed has to be repaid in the same hard currency in which it was borrowed. Many countries are now unable to repay those loans, and are unlikely ever to be able to repay them. The most that they can do (and that with difficulty) is to pay the interest on those loans.

Faced with such a situation, countries in the South have the following options:

- a. they can ask for re-scheduling of the debt.
- b. they can negotiate for total debt forgiveness (the Jubilee 2000 approach) or partial debt forgiveness (the HIPC approach).
- c. they can negotiate for repayment of the debt in local currency, not hard currency.
- d. they can refuse to repay the debt.

Very few opt for the last option since that would prejudice their chances of future borrowing.

Methodology

It is likely that this subject is a new one for most participants. Check if there is anyone with first hand experience of the subject. If there is anyone with experience of the Jubilee 2000 campaign, ask him/her to explain national debt. Show OHT 73. Go through it with the participants, clarifying where necessary.

Background to National Debt

When Southern countries are heavily indebted, they have the following options:

- **they can ask for rescheduling of the debt**
- **they can negotiate for total debt forgiveness (The Jubilee 2000 approach) or partial debt forgiveness (the HIPC approach)**
- **they can negotiate for repayment of the debt in local currency, not hard currency**
- **they can refuse to pay**

DAY FOUR/SESSION TWELVE: CONVERSION OF DEBT

12.2 Repaying Hard Currency Debt in Local Currency at a Discount

Purpose

To learn more about debt conversion.

Text

A secondary market has grown up in which buyers offer to purchase the hard currency debt at a discount. This system allows the country concerned to convert hard currency debt into local currency debt which it can pay, and thus cancel the hard currency debt. It is possible to negotiate some conditions along with the debt conversion. These conditions usually involve a development agency (often an international CSO) that wants to:

- persuade the creditor to allow the local currency that has been generated to be used for development purposes;
- persuade the Ministry of Finance in the Southern country to allow the local currency funds that have been generated to be used for some agreed development purpose.

There are thus three or possibly four actors in a debt conversion:

1. The creditor (a Northern commercial bank, bilateral aid agency, or a multilateral agency).
2. The Southern country's Ministry of Finance that has legally engaged in the borrowing and the promise to repay.
3. A Northern CSO that offers to negotiate a debt conversion provided that a developmental use of the local currency that has been generated can be agreed (usually, but not essentially).
3. A Southern civil society organization or foundation that will act as the custodian and manager of the local currency fund generated.

The transactions involve the following steps:

1. A Northern CSO persuades the Northern creditor to accept that it is not going to be repaid in hard currency, and either to cancel its demand for repayment in hard currency and accept local currency, or to sell its debt at a discounted amount of hard currency.
2. If the Northern creditor is prepared to cancel its debt in hard currency and to accept the local currency, the Northern CSO persuades the debtor to donate the local currency amount to a development purpose in the Southern country to be managed by a Northern CSO.
3. If the Northern creditor is prepared to sell its debt for a discount, to persuade it to do so, making it a condition of such a sale that the local currency that has been generated should be used for a development purpose to be managed by a Northern or Southern CSO - typically an endowment to generate sustainable income into the future. A further possibility is that the Northern creditor would accept repayment in some other form eg land, or a building - linked to a development purpose.
4. To persuade the Ministry of Finance of the Southern country that it is in their interests to get their hard currency debt either cancelled or converted on these terms, and get their agreement to set up a structure by which the development purposes can be fulfilled.

Methodology

Look at the full story from the handbook text. Show OHT 74, and go through it with the participants.

Debt Conversion

The formal agreements to repay debt from the Southern country (the Debt Papers) can be sold on a secondary market in which buyers offer to buy the hard currency debt at a portion of its hard currency worth, and redeem it in full in local currency.

Thus a Northern buyer with hard currency can buy, for example, US\$500,000 of a Southern Country's hard currency debt for US\$200,000, but get the equivalent of US\$500,000 in local currency.

The Southern country cancels that part of its debt in hard currency and gives the buyer local currency or something of the same value as the amount of the local currency (eg land or a building) together with any negotiated conditions (eg an endowed foundation).

Northern CSOs can thus act as catalysts to leverage more local currency from a given amount of Northern aid – typically twice as much. Such local currency can be used for the work of a Southern civil society organization, or can create, through an endowment, a sustainable source of Southern CSOs' funding for the future.

DAY FOUR/SESSION TWELVE: CONVERSION OF DEBT

12.3 Difficulties and Complexities

Purpose

To learn more about the difficulties and complexities of debt conversion.

Text

As can be seen, however, there are considerable difficulties and complexities involved in the process of debt conversion. Some of these are:

1. Decisions to allow such discounted debt sales and put the local currency generated into the hands of CSOs are intensely political both in the North and in the South. The CSO that wants to work as the catalyst for this process, must be ready with strong arguments and good negotiating skills.
2. The final decisions are made between governments - usually the respective Ministries of Finance - and these are not usually ministries that CSOs, North or South, are familiar with.
3. The negotiations, the agreements, and the processing of the paperwork take a long time - perhaps two years - during which time the Northern CSO has to keep pressing its case, and possibly dealing with changes in government, and certainly changes in personnel.
4. If the funds are used to set up an endowed foundation for making grants to CSOs, it is likely that the structure for this must be set up with the participatory agreement of the citizen sector. Negotiations on the governance and management of such a structure are likely to be a long-drawn out process.

However, these difficulties should not obscure the fact that many funds for civil society organizations have been generated in this way, involving converting debt to Germany, Canada, Switzerland, France, and Belgium, and creating new funds for civil society organizations in the Philippines, Bolivia, Zambia and Jamaica. Much of the pioneering work has been done by environmental CSOs who have popularized 'debt for nature' swaps, and a specialized NGO to advise other CSOs in this field was created in the USA called the 'Debt for Development Coalition'.

Methodology

Show OHT 75 in sections. Go through the arguments with the participants. If there are any participants with experience, ask them to describe the process.

Difficulties and Complexities

- **It is a political decision to put debt sales into the hands of a CSO**
- **There has to be a source of funds able to ‘buy’ the discounted debt – often a lot of money**
- **Ministries of Finance have the final word**
- **Negotiations take a long time**
- **CSO Foundations, if desired, require a lengthy consensus building exercise within the CSO community.**

DAY FOUR/SESSION TWELVE: COVERSION OF DEBT**12.4 Case Studies****Purpose**

To illustrate the different ways in which the approach of accessing resources through debt conversion might work.

Text

See the following handouts:

- Handout 21: Foundation for a Sustainable Society Inc., Philippines
- Handout 22: Environmental Foundation of Jamaica

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?

Foundation for a Sustainable Society Inc, Philippines

In August 1995, the Governments of the Philippines and Switzerland signed an agreement on the reduction of Philippines' external debt. Under this accord, 50% of the Philippine Government's outstanding export credit debt to Switzerland, - amounting to 42 million Swiss Francs (approximately US\$ 35 million), was cancelled. The remainder was converted into Philippine pesos. These were then provided by the Philippines Treasury as an endowment to the Foundation for a Sustainable Society Inc., Philippines (FSSI), a foundation formed to manage the counterpart funds.

FSSI supports productive activities of CSOs, people's organizations, cooperatives and similar private organizations in the field of agriculture and fisheries, as well as in the urban and rural small industries sector. The foundation is, in the first place, a loan making institution, but it also provides grants for activities such as technical assistance, feasibility studies, and market research.

FSSI has three interesting features:

- it is exclusively managed by CSOs, and its resources are exclusively being allocated to civil society organizations
- it is structured as a long-term capital fund - that is only the interest, or the return on investment, and part of the loan re-flows are used to fund projects and programmes
- the process that led to the forging of the agreement was marked from the start by a close and intensive collaboration between Philippine and Swiss CSOs.

Several important lessons were learnt from this experience. Firstly, it is clear that close coordination and permanent communication between organized CSO constituencies in the debtor and creditor countries are crucial to the success of negotiations between governments.

Secondly, official debt conversion involving the establishment of an autonomous management structure such as a foundation consume a lot of time (2 years in this case) and energy, because there were many actors involved (two governments and two CSO communities) with sometimes differing interests. Thus transaction costs tend to be rather high, and the donor government or CSO must be prepared to pay for the major part of these.

Thirdly, a participatory approach is very important for the ownership of the process and the funding mechanism to be created. The Southern CSOs should be involved right from the beginning in designing and preparing the scheme. Otherwise there is a risk that they will not stay involved if major difficulties or delays occur.

Fourthly, it is crucial to have good working contacts with relevant government officials on both sides in order to get access to important information. For instance, the Northern CSO may get some important information from its government on the Southern Government's negotiating position that it can pass onto its CSO counterpart to use in its lobbying work, or vice versa.

There should be no illusions about the outcome of the official debt conversions: these are negotiated between two governments, and the final decisions will be taken by these parties. So the results may be different from the scheme initially proposed by the CSOs. Thus it is all the more important to have strong CSO networks on both sides with a high capacity to advocate their positions in order to reach the best result possible.

One of the most positive aspects of this process was the excellent collaboration between the two CSO communities, which were both very motivated and committed to the common cause. Another positive point was the broad and inclusive consultation process amongst the Philippine CSOs, including those who are critical of debt swaps and cooperation with the Government. This inclusive process allowed broad participation in FSSI's Board of Trustees, and especially in its membership.

One negative aspect was the pressure of time during the negotiation period that did not allow for sufficient consultation of the participating CSO representatives, since decisions had to be taken very quickly. This is a major drawback of this type of official debt conversion, where as a rule CSO representatives are not permitted to sit at the negotiating table.

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

Environmental Foundation of Jamaica

The Environmental Foundation of Jamaica (EFJ) was the result of debt reduction agreements in August 1991 and January 1993 between the Governments of Jamaica and the United States. Under these, and follow-up agreements, 77% of Jamaica's debt originating from Food Aid (PL480 debt) and its USAID debt was cancelled - a total of US\$ 405 million. The remaining 23% was re-structured for quarterly payments by the Jamaican government into a fund controlled by the EFJ. Over 20 years, this will amount to US\$ 21.5 million

The debt conversion came about through the efforts of US environmental CSOs. It was included in the 1990 Enterprise for the Americas Initiative of President Bush that was designed to promote hemispheric trade and investment, to which the burden of debt servicing was seen as an obstacle.

The EFJ Board of Directors has 9 members - six seats for CSOs, two for the two governments, and one for a representative of the University of the West Indies. An interesting feature of the EFJ is its membership - some 59 CSOs and community based organizations. More than half participate actively in selecting a slate of Board representatives (from which the Minister of the environment appoints the Board), guiding policy, advising on project selection, and monitoring the work of the Board and the Secretariat.

This collaboration between CSOs works well in spite of its novelty and initial differences in age, size, and degrees of organization. The older development agencies were fairly well organized, while the newer, smaller environmental groups that were just trying to get their act together took the lead on debt conversion. More difficult and challenging was the collaboration with the governments. CSOs in Jamaica. In the absence of any legal, regulatory, or policy restraints, learned that it had to be done and could be very useful, but also that collaboration had to be approached carefully and critically.

The object of the EFJ is to provide grants towards the conservation and sustainable management of Jamaica's natural resources. Priority is given to projects involving local community management and capacity building of CSOs and community groups. A set amount of funds also goes to child development and child survival projects that have an environmental dimension.

From August 1993 to July 1996 the Foundation approved 219 projects for an average annual total of US\$ 1.5 million, a figure that was expected to top US\$ 2 million in 1996-7. At the same time, effective management of income by professional investment firms has brought the EFJ's resources to more than US\$12 million. This has gone into an endowment fund established in 1997 to ensure the continuity of the foundation after the debt conversion payments cease. EFJ is also seeking to diversify the sources of funding in order to build up the endowment.

For the CSO community and their umbrella organizations, the EFJ has been a valuable experience. Grasping the opportunity for collaboration on several fronts

and showing patience and persistence, the CSOs have asserted control of the foundation, put it onto a sound footing and kept it faithful to its mandate. Yet its leaders remain aware of the need to establish sustainable funding, and of the difficulty - with limited funds - of having significant impact on massive environmental and development needs.

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

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.1a Credit for the Borrower, Income for the CSO

Purpose

To understand how resources can be acquired from microcredit programmes.

Text

More and more CSOs are running microcredit programmes, often inspired by the example of the Grameen Bank in Bangladesh, and the publicity generated by the Microcredit Summit of 1997. The objectives of such programmes are to build microenterprises (possibly moving into small enterprises) and to help poor people to build a sustainable income for themselves. The attractive feature of well-run microcredit programmes is that they are financially sustainable since they rely on money being loaned out and repaid with interest, and thus available to be loaned again, or loaned to others. Microcredit programmes, however, can be a source of income to the CSO beyond the cost of the microcredit programme, and thus microcredit programmes become a special kind of 'Revenue from Earned Income' (see Chapter 4). The thinking behind this is that microcredit programmes can have two outcomes:

- Benefits to the microentrepreneurs who are enabled:
 - to be self-employed;
 - to create and sell goods and services;
 - to gain income which they did not have before;
 - to escape from crippling debt.
- Benefits to the CSO running the microcredit programme that can:
 - get the original loan repaid;
 - get income through a service fee charged to the borrower for running the microcredit scheme;
 - use any surplus funds generated by the microcredit scheme for other work of the CSO.

A good microcredit programme also produces benefits to the community in that it reduces the power of local money-lenders, generates social capital, mobilizes the financial power of many small savers, and builds social capital. Usually CSOs running microcredit programmes receive an original grant from a donor to set up a microcredit programme, and to start the revolving lending system. Sometimes a CSO can set up a savings programme initially, and from the savings can start making loans. The latter is the model of the credit unions. If the interest rate for the loans is well calculated, and any other charges for the administration of the programme are factored in, then the income received from the borrowers should be enough to cover the cost of administering the credit, as well as programmes linked to the credit system, such as training. It might be argued that a CSO should not charge more than the bare minimum that is needed to cover the costs of the savings and credit programme; since the target is the very poor, anything beyond that is exploitation. But returning to the arguments made in Chapter 4 that poor people are prepared to pay the costs that a CSO charges for a service, provided the service is available where and when they want it, is flexible, professionally run, in the amounts they need, and within their power to repay.

Methodology

Read the full text in the handbook. Show OHT 76 section by section. How many participants are managing microcredit programmes? Are they covering costs? Are they making anything extra?

Two Possible Results from Microcredit

- **Through offering credit to microentrepreneurs they are enabled:**
 - **to be self-employed**
 - **to create/sell goods and services**
 - **to gain income which they did not have before**
 - **to pay off debts which were crippling them**

- **Through receiving income as the credit is repaid with interest (and possibly a service charge) the CSO is enabled**
 - **to cover the costs of its credit operation**
 - **to gain extra income which it can use for other programmes**

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.1b Credit for the Borrower, Income for the CSO

Purpose

To understand how microcredit programmes can have advantages and disadvantages for a CSO.

Text

The advantages of a well-run savings and credit programme are that:

- Loans given to the poor under a well-managed system show excellent repayment rates (higher than those lending to the middle class or the rich).
- It is possible to cover costs and make a small surplus if the interest and repayment conditions are soundly calculated and efficiently administered.
- The poor are prepared to pay market rates, and even higher, if the service they receive is good, efficient, and they have some voice in its management.

The disadvantages to a CSO of operating a savings and credit scheme are:

- It only succeeds if the CSO is very professional about the way it designs and administers the scheme.
- The law in any particular country may, or may not, be helpful to the CSO that wishes to undertake a savings and microcredit operation. Sometimes existing statutes restrict such work to legally set up banks.
- There is a danger that the CSO may lose sight of its mission in the business of becoming a money-lender and deposit-taker.

Many civil society organizations find that operating a small and cost-covering savings and credit scheme is quite enough work, and they do not want to go beyond this. They usually receive savings from the people to whom they lend money as part of the general package of assistance, and the whole process is targeted to people who are limited by both geography and income level.

Methodology

Microcredit should not be considered as a panacea; while there are advantages, there are also disadvantages. Show OHT 77 in two parts, and ask participants if there are real examples of this in their country.

Advantages and Disadvantages

Advantages

- **Loans given to the poor under a well-managed system show excellent repayment rates (higher than those lending to the middle class or the rich).**
- **It is possible to cover costs and make a small surplus if the interest and repayment conditions are soundly calculated and efficiently administered.**
- **The poor are prepared to pay market rates, and even higher, if the service they receive is good, efficient, and they have some voice in its management.**

Disadvantages

- **It only succeeds if the CSO is very professional about the way it designs and administers the scheme.**
- **The law in any particular country may, or may, not be helpful to the CSO that wishes to expand a savings and microcredit operation. Sometimes existing statutes restrict such work to legally set up banks.**
- **There is a danger that the CSO may lose sight of its mission in the business of becoming a money-lender and deposit-taker.**

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.2 Going Beyond Linked Savings and Credit

Purpose

To understand how to raise more income from a microcredit programmes.

Text

If, on the other hand, the CSO wants to become a microfinance institution (MFI) and optimize its income from operating as a financial institution so that it can bring income into the organization to use in the furtherance of its mission, it will need to expand its range of customers both geographically and by income level. It will also need to offer a range of services beyond linked savings and credit.

The CSO very probably will need to receive deposits from people who are not necessarily borrowers to increase the amount of capital it can mobilize. It will also need to acquire new capital for expansion, and this money will probably have to be 'bought' from banks or finance institutions at market rates, rather than received as a grant from a donor. It will, also probably, have to design and sell a variety of financial services (like house loans, cattle loans, agricultural loans) to meet customers' requirements. It will have to continue, of course, to be very professional in its original operations, and to become very competent at a range of more complex financial services, particularly since many of its new customers will not come from its old and well-known client base.

Many countries have legal statutes that set out standards for those institutions that are allowed to receive deposits. This usually requires a minimum level of capitalization that is beyond most CSOs. In many cases microfinance institutions are protesting these rules and seeking changes in government laws and policies that will allow the expanding number of CSOs entering this field to take deposits, and earn income from this. The legal statutes were originally designed to prevent crooks taking customers' money and running off with it. CSOs that want to take deposits will have to prove that they are competent enough to be able to pay out customers' deposits on request.

Methodology

Show OHT 78 stage by stage: Use the experience of any microcredit practitioners amongst the participants to explain these points, and to explain what difficulties might occur.

Debate whether CSOs should charge high or low interest rates (high to help the organization, low to help the people)

Beyond Linked Savings and Credit

The CSO will need to:

- **expand its range of customers both geographically and by income level.**
- **offer a range of services beyond linked savings and credit.**
- **receive deposits from people who are not necessarily borrowers to increase the amount of capital it can mobilize**
- **acquire new capital for expansion, and this money will probably have to be 'bought' from banks or finance institutions at market rates**
- **design and sell a variety of financial services (like house loans, cattle loans, agricultural loans) to meet customers requirements**
- **continue to be very professional in its original operations**
- **become very competent at a range of more complex financial services - particularly since many of its new customers will not come from its old and well-known client base**
- **Be registered according to the law**

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.3 Key Issues

Purpose

To understand the key issues in expanding a microcredit programmes.

Text

If a small savings and credit CSO wants to move from simple operations to the full range of services of a financial intermediary - which is where the income is to be made - it must think about the following key issues:

- **Savings:** Whose savings will you take? Anyone's? What protection will you offer big depositors?
- **Interest Rates:** Will you keep them at existing market rates? Or will you go higher if the market will bear it? Will you exclude your poorest customers by doing so?
- **Group or Individual Lending:** Most CSOs have initiated their savings and lending operations through group lending backed by peer group pressure. Will you continue like this? Or will you lend to individuals? If you lend to individuals, how will you handle the question of collateral, or establish creditworthiness?
- **Legal Identity:** Will you set up a separate financial intermediary organization, with the status of a bank, and offer a range of financial services?
- **Acquiring Capital:** Will you be able to finance your operations by borrowing money at the market rate? Or will your scheme require start up capital in the form of a grant? If you want to borrow money from a local bank either for capitalization or for working capital, will you be able to do so? Are you seen as creditworthy?
- **Mission:** Is there a danger that your original mission (of helping poor people employ themselves) will be lost in pursuing the making of money through banking services, or will you be able to separate the money-making from the mission- linked services?

Methodology

Show OHT 79 section by section, and ask for comments - particularly from those who have experience of microcredit.

Key Issues

- **Savings - whose will you take?**
- **Interest rates - commercial, or higher?**
- **Group or individual lending?**
- **Legal Identity?**
- **Borrowing money at market rates?**
- **Mission - will you lose it?**

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES**13.4a Bank Guarantees****Purpose**

To understand bank guarantees.

Text

One of the most interesting services offered by foreign donor agencies that are enthusiastic about helping CSOs to sustain themselves through providing financial services is the idea of bank guarantees. RAFAD in Switzerland has pioneered a further extension of this work. The first step is to link the bank used by a microfinance institution in the South to a bank in the North. The second step is for the donor agency to guarantee the bank in the North that borrowings up to a certain level by the specified bank in the South will be honoured. The third step is for the bank in the South to offer credit to the CSO/MFI up to a certain level, knowing that its loans will be guaranteed by the Northern bank. The beauty of this scheme is that Northern money is not tied up, and indeed will never be employed if the CSO/MFI carries out its work competently. It will only be required if there is the problem that the CSO/MFI cannot repay the bank from which it borrowed money.

IREC (Innovations et Reseaux pour le Developpement) which gave birth to RAFAD, has produced an interesting 13-stage process for a CSO that wants to take on the role of an MFI; this ties in very closely with Chapter 4.

Methodology

This will probably be a new concept for most participants. Show OHT 80. Go through the sections one by one.

Bank Guarantees

Steps

- 1. Link the bank used by a microfinance institution in the South to a bank in the North.**
- 2. Donor agency to guarantee the bank in the North that borrowings up to a certain level by the specified bank in the South will be honoured.**
- 3. Bank in the South to offer credit to the CSO/MFI up to a certain level, knowing that its loans will be guaranteed by the Northern bank.**

Northern money is not tied up, and indeed will never be employed if the CSO/MFI carries out its work competently.

It will only be required if there is the problem that the CSO/MFI cannot repay the bank at which it borrowed money.

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.4b Bank Guarantees

Purpose

To appreciate RAFAD's 13 stages.

Text

RAFAD's 13 stages leading to greater financial autonomy

1. Creation of the CSO and development of its links to grass-roots or community-based organizations (GRO/CBOs).
2. Development of the GRO/CBOs' resources with the CSO helping them to do this.
3. Initial sales of products and services by the CSO.
4. Establishment of a capital reserve fund, using profits from sales and services.
5. Local fundraising.
6. External fundraising based on projects.
7. Institutional development - building up management capacity, strategic planning, financial management.
8. Development of the capital reserve fund, and making more investments.
9. Negotiation of flexible programme grants from donors.
10. Negotiation of a grant for a revolving loan fund that the CSO administers.
11. Increases in sales and services, increases in deposits in the reserve fund, and in investments.
12. Negotiations with local banks for credit for your CSO with, if necessary, bank guarantees from international finance institutions (eg RAFAD, Women's World Banking).
13. Direct access to credit from local banks.

Methodology

Show OHT 81 and read it through with the participants. Is this the panacea? Are there any parts that do not fit local conditions or particularities?

RAFAD's Thirteen Stages Leading to Greater Financial Autonomy

1. Creation of the CSO and development of its links to grass-roots or community-based organizations (GRO/CBOs).
2. Development of the GRO/CBOs' resources with the CSO helping them to do this.
3. Initial sales of products and services by the CSO.
4. Establishment of a capital reserve fund, using profits from sales and services.
5. Local fundraising.
6. External fundraising based on projects.
7. Institutional development - building up management capacity, strategic planning, financial management.
8. Development of the capital reserve fund, and making more investments.
9. Negotiation of flexible programme grants from donors.
10. Negotiation of a grant for a revolving loan fund which the CSO administers.
11. Increases in sales and services, increases in deposits in the reserve fund, and in investments.
12. Negotiations with local banks for credit for your CSO with, if necessary, bank guarantees from international finance institutions (eg RAFAD, Women's World Banking).
12. Direct access to credit from local banks.

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES**13.5 Case Studies****Purpose**

To illustrate the different ways in which the approach of accessing resources through microcredit might work.

Text

See the following handouts:

- Handout 23: Shri Mahila Sewa Sahakari Bank, India
- Handout 24: Kenya Rural Enterprise Programme, Kenya

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?

Shri Mahila Sewa Sahakari Bank, India

The Self-Employed Women's Association (SEWA) is a trade union formed in 1972 to improve the lives of poor informal sector women workers. Any self-employed woman in India can become a member of SEWA by paying a membership fee of at least 5 rupees a year. As a membership based organization, SEWA has spawned numerous self-help initiatives, including a cooperative bank.

The clients of SEWA bank are all self-employed women. SEWA clients have low incomes, little or no savings, no assets, and no direct access to raw materials. Access to financial services is a major problem for poor self-employed women such as hawkers, vendors, home based workers, manual labourers and service providers. Because they do not save, emergencies and obligations often force women to borrow heavily from informal money lenders. However - they are unlikely to have the experience or self-confidence to obtain credit from a formal financial institution.

At the same time, the institution's regulations and procedures rarely meet the needs of a woman seeking a loan. Therefore poor self-employed women often depend on informal money lenders, contractors and wholesalers who charge exorbitant interest rates. This often starts a downward spiral of increased indebtedness, perpetuating poverty.

In response to this constraint, in 1974 some 4000 SEWA members established a cooperative bank owned by shareholding members to provide credit to self-employed women and reduce their dependence on money lenders. SEWA bank borrowers are required to buy 5% of the loan amount in bank shares when receiving a loan and in order to open a savings account. The women are therefore the Bank's shareholders, and they hold annual shareholders meetings. The bank is supervised by the Reserve Bank of India, which determines the interest rates on loans and savings deposits, the proportion of deposits that can be loaned, and the areas of operations.

The members of the Bank elect the Board of Directors. The Board consists of 15 members, 10 of whom are trade leaders. All major decisions are made by the board, including sanctioning all loans advanced. The sources of capital for SEWA bank are savings deposits, share capital, and profits that are ploughed back into the institution. SEWA Bank has currently approximately 60,000 depositors and 6000 borrowers.

Between 1974 and 1977 SEWA Bank concentrated on attracting deposits from self-employed women and served as a guarantor to enable depositors to obtain loans from nationalized banks that are required to lend to the poor. In 1976 SEWA bank started to extend loans to its own depositors from its own funds and gradually withdrew from the credit arrangement with the nationalized banks.

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

Kenya Rural Enterprise Programme

The Kenya Rural Enterprise Programme (K-Rep) is a private microfinance institution registered as a CSO. Its mission is to facilitate poverty alleviation by developing systems and institutions that will enable poor people to organize their lives financially. K-REP's activities include micro-financial services, research and evaluation, information dissemination, and consulting services. K-REP has one of the most extensive resource centres for micro-finance in Africa.

Recently K-REP has established a commercial bank that will assume its microfinance operations. This will be owned by K-REP, the International Finance Corporation, Shorebank Corporation, Triodos Bank, and possibly the African Development Bank. The decision to create a bank was based on the realization that CSOs lack the capacity to serve as effective financial intermediaries. In part this is because the corporate image of CSOs elicits skepticism in the minds of the community, clients, the government, and particularly other institutions in the financial markets.

Second, CSOs have limited legal capacity to explore other financial instruments and products such as savings mobilization. K-REP commissioned a study in 1994 to determine the best institutional form to support its continued expansion. The study looked at different types of institutions, such as credit unions, non-bank financial institutions, and commercial banks under the banking act. It recommended the commercial bank as the best form, given its capacity to provide a wide range of financial services.

The Government of Kenya's bank supervision division had limited exposure to micro-finance, and no experience with a CSO owning a bank. And the banking industry in Kenya had been badly hit by a significant number of bank collapses that made the bank supervisor even more wary of new ideas. So K-REP worked with highly placed and respected individuals to secure the attention of decision makers, and to garner political and media support for the idea of establishing a bank. Once this was established, it embarked on an education process for the bank supervisors, providing them with information about successful regulated micro-finance institutions elsewhere in the world.

Finally K-REP organized an exposure visit for the Deputy Governor and the Director of Bank Supervision of the Central bank of Kenya to see BancoSol in Bolivia. This visit was instrumental in shaping their understanding of the vast potential as well as the inherent risks of microfinance.

In discussing the K-REP Bank with the bank supervision division, some of the key issues raised were ownership (with K-REP allowed to be a shareholder of the bank as long as it did not hold more than 25% of the shares), governance (with K-REP required to have at least three bankers on its management team), security, lending methodology, and the overall relationship between the CSO and the Bank.

During the course of these negotiations, the bank supervisor agreed to consider special legislation for microfinance institutions to create a new regulatory category. K-REP intends to become a full commercial bank, in part because it wants to challenge the thinking of the financial sector regarding the acceptance of low-income communities as a legitimate market. K-REP's efforts appear to be opening the door for other microfinance institutions in Kenya.

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

DAY FOUR/SESSION FOURTEEN: SOCIAL INVESTMENT

14.1 What is Social Investment?

Purpose

To understand social investment.

Text

When a CSO has a project that it would like to implement that has a chance of being financially viable and able to produce an adequate return on capital invested, it is possible that it will go to a bank to try to get the finance required. It might go to a foreign donor and be told that its idea is a viable business proposition and that therefore it should be able to access commercial credit.

Unfortunately many CSO project ideas may well be viable, but they may not be bankable given the existing rules and regulations of the banks, together with their conservatism for new ideas. CSOs need a source of investment finance that is flexible enough to meet their needs, to interested in the social aspects of their work (rather than considering the optimal returns on capital) and prepared to deal with them.

This is the field of social investment (known in the USA as 'Programme Related Investment') - ie organizations that have set up funds to lend money to CSOs that prioritize social and environmental considerations through businesslike activities. Such funding organizations broadly share two following characteristics:

- They tend to serve social organizations and small or microenterprises that have social or environmental objectives.
- They finance sections of the population, projects, sectors, or regions that have been abandoned by the traditional banks or financial institutions.

The funds are not grants - they are social investment funds from organizations that want to support viable and socially responsible work, want to have their investment returned with interest, but that are not investing their money with the prime purpose of maximizing their income from the interest to be earned. They are usually satisfied, therefore, with a below-market rate of return on their investment.

The organizations that are involved in social investment are often of the opinion that investment in a project is healthier than making grants to a project, and that encouraging organizations to become financially self-reliant is better than allowing them to become dependent on grant funding.

Methodology

This is again a subject that most participants will not be familiar with. Show OHT 82 - go through it slowly. Ask if anyone has used this approach?

What is Social Investment?

- **Funds available for loans to those concerned with enterprises for social issues who would not normally be able to get bank loans**
- **Requires an efficient and mission driven organization on the one hand, and investors interested in that mission on the other**
- **Social investment funds allow a CSO to move from grants to loans to running a business enterprise**

DAY FOUR/SESSION FOURTEEN: SOCIAL INVESTMENT**14.2 Social Investment Organizations****Purpose**

To find out what social investment organizations are.

Text

There are presently over 40 social finance organizations from 21 countries (both North and South) who have identified themselves as such actors. They have a coordinating body called INAISE (International Association of Investors in the Social Economy) based in Belgium. Examples of the kinds of work they support are:

- Housing for people with no collateral.
- Venture capital for small businesses that cannot get bank loans.
- Insurance for poor people who cannot comply with the conditions of the usual insurance companies.
- Bridging loans for marketing.
- Loan guarantees.

Methodology

Show OHT 83. Have participants had any experience with organizations like this? Perhaps those working with exporting crafts? Do you think this is a useful service? Show OHT 84. Are any of the participants familiar with these organizations?

Social Investment Organizations

Concerned with:

- **Housing for people with no collateral**
- **Venture capital for small businesses that cannot get bank loans**
- **Insurance for poor people who cannot comply with the conditions of the usual insurance companies**
- **Bridging loans for marketing**
- **Loan guarantees**

DAY FOUR/SESSION FOURTEEN: SOCIAL INVESTMENT

14.3 Case Studies

Purpose

To illustrate the different ways in which the approach of accessing resources through social investment might work.

Text

See the following handouts:

- Handout 25: List of INAISE Members
- Handout 26: The HIVOS-Triadodos Fund Foundation

Methodology

Distribute the case studies to the participants. In the case of handout 25 ask if any of the participants know of these organizations. In the case of 26, 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?

*Handout 25***Members of the International Association of Investors in the Social Economy (INAISE)**

Bangladesh	BURO Tangail
Belgium	Credal Netwerk Vlandereen Reseau de Financement Alternatif Soficatra Triodos Bank (Belgium)
Congo	Credit Populaire
Costa Rica	Fondo Latinoamericano de Desarrollo (FOLADE)
Denmark	Jord-Arbejde-Kapital (JAK) Merkur – den Almennyttige Andelskasse
Finland	Osuuskunta Eko Osuusraha
France	Association pour le Droit a l'Initiative Economique (ADIE) Banque Populaire du Haut Rhin Entreprendre de France Federation des Cigales Institut de Developpement de l'Economie Sociale (IDES) Societe de l'Invest et de Developpement Internationale (SIDI) Societe d'Investissement France Active (SIFA) Societe Financiere de la NEF Socoden
Germany	GLS Gemeinschaftsbank Oekobank
Ireland	Clann Credo Ltd Tallagh Trust Fund Ltd
Italy	Banca Etica Compagnia Finanziaria Industriale (CFI) MAG 2 Finance
Japan	Citizen Bank
Luxemburg	Appui au Developpement Autonome (ADA) Alterfinanz
Netherlands	DOEN Foundation Triodos Bank
New Zealand	Prometheus Foundation
Poland	Foundation for Social Policy Development (FRPS)
South Africa	Get Ahead Foundation
Sweden	Ekosparkassan Sola Jorde-Arbete-Kapital (JAK)
Switzerland	Nordiska Sparlan Alternative Bank ABS Freie Gemeinschaftsbank BSL RAFAD
Tanzania	Coopec Kalundu
UK	Aston Re-investment Trust Charities Aid Foundation Ecology Building Society Full Circle Fund Industrial Common Ownership Finance Shared Interest Triodos Bank (UK)
USA	South Shore Bank Women's World Banking

The HIVOS-Triodos Fund Foundation

The Hivos Foundation is a Dutch humanistic development CSO co-financed by the Dutch Ministry of Development Cooperation. The Triodos Bank was established in the Netherlands in 1980 and now also has offices in Belgium and the UK. The bank lends only to organizations and businesses with social and environmental objectives. Triodos is an independent bank owned by public shareholders. Shares are held through a trust that protects the social and environmental aims of the bank.

Dialogue between Hivos and the Triodos Bank began in the early 1990s with a view to establishing a joint fund for financing projects in developing countries. Triodos was motivated to look for projects in developing countries by its need for growth and new funds. Triodos was also interested to involve itself in the trend to establish microcredit programmes. Hivos was already involved in microcredit and had contacts with potential clients in the South because of its decentralized structure.

The Hivos-Triodos Fund Foundation was established in December 1994. Its purpose is to provide guarantees and loans to, as well as to bear the risk of participating in, projects, enterprises and institutions in the area of development cooperation. It is not intended that the foundation shall earn a profit.

The Board of Management consists of two members of the Board of Directors of Triodos Bank and is appointed by the Supervisory Board, which also supervises the Fund's policy and approves the Annual Accounts. The Supervisory Board is appointed by the Hivos Foundation.

Requests for finance is a two-step process. First, Hivos evaluates the request on the basis of its content. It is processed further by the Fund only after Hivos makes a positive recommendation. Second, the request is evaluated from a financial point of view by Triodos Bank. If this evaluation is also positive then a proposal is made to the credit committee of the Fund which consists of representatives of both Hivos and Triodos Bank. Hivos has the right of veto in the credit committee if, in its opinion, the request does not fulfill the social development and environmental criteria and policies of the Fund. Triodos Bank can advise against making an investment from a financial point of view. The final responsibility rests with the Board of Management.

After finance has been provided, its management is overseen by the Hivos-Triodos Fund Foundation. Each borrower is subject to an annual review which is discussed in the credit committee. The follow-up also takes place in consultation with Hivos, usually through its regional offices in Zimbabwe, India and Costa Rica.

The fund gives priority to microcredit institutions and small banks since this makes best use of the expertise and experience of Triodos Bank and best fulfils the desire of Hivos to support economic activity in developing countries. Fair trade and trade finance are also considered important areas deserving attention.

In the process to establish the joint fund there were a number of challenges arising from differences in the organizations' cultures. For example, the minimum level of finance request considered acceptable by Triodos fund managers was 100,000 fl. (US\$47,775) but many development projects require a far smaller sum. Hivos initially placed insufficient emphasis on training staff members that were to be involved in the joint fund. Only recently did staff benefit from more comprehensive training.

It has been a challenge of the partnership to maintain recognition of the two cultures and different roles in the partnership. This has been achieved through mutual investment in time and resources for the partnership and a genuine dialogue that has resulted in increased trust and respect for each other's expertise over time.

The original expectation of the partnership was to generate a self-financing joint fund of 35 million fl. (US\$16.7 million). In fact only 10 million fl. (US\$4.7 million) has been generated to date and Hivos is continuing to subsidise the programme.

Source: INTRAC Workshop Report - NGOs and the Private Sector (1998)

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.1 The Range of the Internet

Purpose

To look at and understand the range of possibilities that the Internet offers.

Text

The Internet provides a different way of handling resource mobilization ideas that have been described in the preceding chapters. In some cases it is simply an extension of work that could otherwise have been done through letters, telephone calls, advertisements, articles, etc. In other cases the astonishing range of the Internet, and the way that it allows you access to information that you would otherwise be unlikely to obtain suggests a different way of working. Many of the possibilities for Internet resource mobilization are being developed as you read, and will be spread with astonishing rapidity. Many of the innovations are based on Northern experience, but have great possibilities of Southern application. They all depend on a certain level of technological sophistication - access to computers, reliable electricity, local maintenance engineers, and local service providers - which may be a problem in certain parts of the world.

The Internet provides CSOs with a host of new opportunities, many of which have the potential to mobilize resources. 'Potential' is a word used a lot in this context since many of the approaches are still being developed. The Internet, at the present, however, enables you to:

- Publish information about your organization and make it available 24 hours a day to anyone with access to the Internet.
- Communicate with actual and potential volunteers in your organization in large numbers at very low cost, and allow them to communicate with each other.
- Publicize products and services that your CSO offers for sale.
- Make available (to anyone with access to a computer) research, studies, surveys, interviews from the field, local information of strategic interest, etc.
- Build networks of people interested in the same subject.
- Access an incredible variety of information on topics that are pertinent to the work of your CSO, and make this available to anyone you want.
- Identify new information that is valuable to the work that you are doing.
- File, archive, store, process and retrieve information as and when you want it.

If you think about any of the other 11 approaches to resource mobilization that have been presented in this handbook, there are likely to be Internet implications. Lists of donors and subscribers, promotion and sales of goods and services, publishing of newsletters for volunteers, accessing the regulations of foundations, governments, businesses, keeping records of microcredit borrowers - these are only a few of the possibilities.

Methodology

Firstly ask participants how many of them use the Internet as part of the regular work of their organization and if they have any comments to make on computers in general and the Internet in particular. Then show OHT 84 section by section. Secondly ask participants to identify which of these approaches they are using and ask for comments on how they have found it.

Range of the Internet (at present!)

- **Publish information about your organization and make it available 24 hours a day to anyone with access to the Internet**
- **Communicate with actual and potential volunteers in your organization in large numbers at very low cost, and allow them to communicate with each other**
- **Publicize products and services that your CSO offers for sale**
- **Make available (to anyone with access to a computer) research, studies, surveys, interviews from the field, local information of strategic interest**
- **Build networks of people interested in the same subject**
- **Access an incredible variety of information on topics that are pertinent to the work of your CSO, and make this available to anyone you want**
- **Identify new information that is valuable to the work that you are doing**
- **File, archive, store, process and retrieve information as and when you want it**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.2 Announcing your CSO on the Web and Attracting People to It

Purpose

To clarify how the Internet can be used to showcase your organization and get into contact with possible supporters.

Text

Perhaps the biggest opportunity offered by the Internet is simply to inform the world about your CSO and what it does. A CSO can establish a web page that clearly and competently provides information on its structure, its programmes, its plans, what it has done and what it would like to do. It will probably need professional help with this, particularly for some of the options discussed below. Once your CSO has established a website, it has set up the possibility of attracting interest from any member of the Internet-browsing public. If it goes further and specifically solicits funds or seeks volunteer support and informs people how they can help the organization, it is providing an electronic version of some of the fundraising approaches mentioned in the other chapters of this book. If you are seeking funds from the public, from business, from indigenous foundations, from the government, it is useful to have an accessible reference point where people can go to find out more about your CSO. You are using your website as a virtual point of contact, as a way in which you can inform those who are potentially interested in your organization, and consolidate information for those who definitely are interested in it.

This, however, presupposes that you are able to get close enough to someone (or some organization) to inform them that you have a website, and that the website, once visited, is found to be informative and communicative. In general, however, the Internet is not targeted: once a website is established, you hope that someone will visit it, and read the contents, but you have to leave that up to them. There are ways, however, to tilt the odds in your favour, and this is part of the design of your website. This involves making sure that the name of your website is connected to 'search engines'. These are the devices that search the Internet for sites with names provided to them. Key word searches are also common among users of the Internet, and you can arrange to bring people to your website if they type in the key words that you have chosen that are pertinent to the work of your organization.

Once a visitor has been attracted to the website, the CSO has a tremendous opportunity to educate and inform the visitor about the CSO's mission, programmes, activities, track record, and future plans. These are all very important aspects of the information that might persuade someone to support your CSO with funding or with a variety of non-financial resources, particularly volunteer time.

Just as with brochures (see Chapter 6), you will need to decide what language you want your website to be written in, and how to present the information. You will also have to decide if you are directing your website at fellow countrymen or foreigners. In this, the website is an advertisement for your organization, and you will have to think through who you want to read or see that advertisement.

Methodology

Show OHT 85 Ask participants if they have ever designed and/or used a website. Get feedback from those who have. Provide the example from Zambia given in the text of the handbook. Ask participants to think about the difference between a brochure and a website.

Establish a Website

- **To attract interest from any member of the Internet browsing public (who are they likely to be?)**
- **Specifically to solicit funds**
- **Specifically to seek volunteer support**
- **To inform people how they can help the organization**
- **To provide an accessible reference point where people can go to find out more about your CSO**

You are using your website as a virtual point of contact,

Attract People To It

Make sure you design a website that:

- **Is connected to ‘search engines’**
- **Uses pertinent ‘key words’**

NB: Just as with brochures or other hardprint publicity, consider:

- **What language to use**
- **What style of language to use**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.3 Getting Connected

Purpose

To inform participants how they can get a good and free grounding in the basics of navigating the Internet.

Text

The Internet is user-friendly. If the terms this course is using are difficult to understand, there are free places for you to go to learn. A good place to learn is with the Itrain materials of the International Development Resource Centre (IDRC) of Canada. These materials are accessible through the Internet, and contain both Reference Guides and Instructor's Notes.

The website is <<http://unganisha.idrc.ca/itrain/materials.php3>>:

- 3.3.1.1. Overview of the Internet
- 3.3.1.2. Email with Eudora Light 3
- 3.3.1.3. Email with Pegasus Mail 2.5
- 3.3.1.4. Netscape Navigator 3
- 3.3.1.5. Computer Handbook
- 3.3.1.6. Website Construction
- 3.3.1.7. Effective Internet Searching
- 3.3.1.8. List Facilitation
- 3.3.1.9. Navigating the Web with Navigator 4
- 3.3.1.10. Navigating the Web with Internet Explorer 5
- 3.3.1.11. Email with Outlook Express 5
- 3.3.1.12. Email with Eudora 4.3.
- 3.3.1.13. Email with Pegasus Mail 3.12

Methodology

Provide this information to participants to write down and study on their own (OHT 86) – outside of the course. Give the information and move on – unless participants have suggestions on other good instruction courses on navigating the Web.

Learning how to Navigate the Web

Itrain materials of the International Development Resource Centre (IDRC) of Canada.

The Website is

<<http://unganisha.idrc.ca/itrain/materials.php3>>

- 1. Overview of the Internet**
- 2. Email with Eudora Light 3**
- 3. Email with Pegasus Mail 2.5**
- 4. Netscape Navigator**
- 5. Computer Handbook**
- 6. Website Construction**
- 7. Effective Internet Searching**
- 8. List Facilitation**
- 9. Navigating the Web: Navigator 4**
- 10. Navigating the Web: Internet Explorer 5**
- 11. Email with Outlook Express 5**
- 12. Email with Eudora 4.3.**
- 13. Email with Pegasus Mail 3.12**

Some are also available in Spanish and Chinese

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.4 Who Will Visit your Website?

Purpose

To clarify the likely 'customers' that CSOs can hope to get at their website.

Text

Obviously, only those with access to a computer will visit your website, and this breaks down into those who own a computer (or whose organization/employer owns a computer) and those who have access to a commercial 'Internet café' by which is meant those who sell Internet access from small shops/booths/kiosks. Increasing numbers of organizations have computers and Internet access, particularly schools and businesses.

Since computer ownership and use is greater in the North than in the South it is likely that many visitors to your website will be from the North, provided that the language is one that is common in the North. If your website is written in Chinese or Thai or Indonesian, it is clear that you will only attract fellow countrymen or women (wherever in the world they may be), and the numbers are likely to be smaller. They may be, however, the most relevant people for you to contact from the point of view of resource mobilization.

Many people in the computer business are concerned about the huge disparity between computer use in the North and South (this topic has been given the name 'the digital divide') and there are many attempts to increase Internet access in the South, but the truth at the moment is that people from the North are more likely to visit your site than your fellow countrymen/women, provided it is in a language they understand. The possibility of seeking charitable donations from people in the North directly (as opposed to seeking them via Northern CSOs) is thus a very real and expandable possibility. In essence this is not, however, very different from child sponsorship programmes or appeals to Northern donors – it does not lead to local support or the involvement of local citizens in your work since local people are unlikely to have computers. Computer use is changing so rapidly, however, particularly institutional use of computers, that it may be sensible to add a local fundraising component to any work that you do to document your CSO on a website.

Methodology

Most users of computers are from the North. Most Internet fundraising from the South is directed at Northern donors – organizational or personal. Reiterate that the purpose of this course is increasing local resource mobilization, not increasing dependence on the North (go back to earlier chapters if necessary to remind people). Discuss the fundraising possibilities and constraints of using international and local languages. Show OHT 87 piece by piece.

Who will contact your site?

- **Those with private computers**
- **Those with access to a computer at a business**
- **Those with access to a computer at a school/university**
- **Those using Internet cafes**

They will contact your site if they can read your language

Choosing your Language

Think why you want people to contact your site, before choosing a language

- 1. Use an international language if you want to:**
 - **solicit funds from Northern sources (organizational/individual)**
 - **network internationally**
- 2. Use a local language if you want to:**
 - **Solicit funds locally**
 - **Network locally**
 - **Seek volunteer support**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.5 The Range of Local Resource Mobilization Possibilities via the Internet

Purpose

To identify local resource mobilization possibilities through the Internet.

Text

- **Save money on communication:** Once your CSO owns a computer (and for many CSOs this is not a high priority unless someone gives them one), and provided that you have a competent local service provider who connects your country to the satellites, you may well find that you can communicate much more cheaply by email than by fax and telephone, and possibly letters.
- **Network:** A spin-off from bilateral email connection is co-ordinated email connection around a particular topic or issue shared between many people who have joined a 'listserv' ie a linked series of addresses that all receive the same information. Some resource mobilization implications of this are:
 - Bringing together subscribers to your CSO to talk about important developments.
 - Distributing newsletters or updates to interested parties.
 - Learning from other people about subjects important to your fundraising efforts, like new laws.
- **Learn/Get informed:** The possibility of entering a structured learning experience (joining a 'virtual' training course), or simply gathering information that is pertinent to your CSO work is greatly enhanced by use of the Internet. It is now common practice for conferences, workshops, forums, and other places where knowledge is exchanged to post the proceedings of their meetings on web pages. It is now policy for many development agencies to put their deliberations on their own websites in a new spirit of transparency and openness. You can often find out information about what is happening in your country more easily from such sources than from 'official' channels within your country.
- **Campaign:** The Internet provides a powerful tool for seeking, finding, and working with such people to campaign for a particular issue. Provided people regularly read their mail, the Internet can also work as an instrument for very topical information – for instance, which room to meet in at Parliament to lobby for the new bill, for instance, or which place to visit to see the effects of industrial effluent.
- **Market your Products:** If you have decided that you want to generate revenue for your organization through running an enterprise, the Internet allows you the opportunity to advertise and possibly to sell your products (if there is credit card use in your countries).
- **Make proposals to Local Supporters:** If you are making proposals to possible funders in your own country (governments, businesses, local foundations) then sending proposals by email allows the potential donor agency to follow up with further requests for more information or queries, and for you to answer these quickly and efficiently. It also allows for modifications and negotiations to be conducted transparently.
- **Seek volunteers:** If you need people to help you, put the word out on your website. For rallies, for building, for assistance in the office, for data gathering – the website offers a way for you to announce your needs 24 hours a day, 7 days a week.
- **Keep records**
The Internet provides a ready way both to keep your documentation and pass it on to others.

Methodology

Read the full text from the handbook and be ready with examples: Show OHT 88 section by section. Ask participants if they have had any experience in this use of the Internet, and if so, ask them to tell their stories

Mobilizing Resources Via the Internet

- **Save money on communication**
- **Network**
- **Learn/Get informed**
- **Campaign**
- **Market your products**
- **Make proposals to local supporters**
- **Seek volunteers**
- **Keep records**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.6 Limitations and Barriers

Purpose

To clarify what limitations and barriers exist which might limit an organization's use of the Internet.

Text

- **Money:** Computers cost a lot of money to buy, and a lot of money to repair if they fail. In addition to a computer, you also need a modem, a printer, and, very possibly in the South, a back up battery called a UPS (uninterrupted power supply). Then there are the costs for the Internet Service Provider, which is sometimes linked to the telephone companies. A CSO has to balance whether the advantages that Internet access brings are balanced by the costs.
- **Quality of the Websites:** There is often a great deal of enthusiasm in designing and building web pages, but this enthusiasm often wanes subsequently. If you have decided to have a website it must be kept up to date, and a person or people have to be designated to do that. Visitors to a web page that has out-of-date information, or no information at all, are not impressed, and are not likely to support your CSO. Website design and maintenance is a new skill that needs to be learnt, but once learnt, it requires commitment to keep it at a high quality.
- **Informing People Where To Find You:** If you have a website, make sure that you tell people about it. If possible, have a name that is memorable, and make sure that people can find their way around the website easily. It is useful to ask your service provider to tell you how many visitors you have had to your website. It is also useful to use the occasion of their visit to your website to try and develop a deeper relationship. Many websites have 'visitors' books' which they urge visitors to write in, and provide their addresses. The CSO must then follow up and cultivate the guest's interest. Just as in person-to-person fundraising, a one-off time event can be built up into a regular and deep interest in the cause of the CSO, so this can also be done via the Internet. The CSO, once it has invested in a website, must try to move beyond using it as a 'billboard' where people just come and look; they must try to interact with their visitors in order to develop their interest and to solicit their support. They must try to keep people's interest so they will stay on the website and learn more about your CSO's work.
- **Ready Arguments to Counter Retractors:** It is possible that people in your country will accuse you of unnecessary luxury and irrelevant expenditures if you promote your organization through the Internet. You will be asked to defend yourself as an organization that is helping the poor and the powerless and yet also using computer technology. There is enough suspicion about CSOs by the general public in your country for it to be likely that you will be accused of being a 'PC and Pajero CSO'. It is for you to think this through and decide for yourself the advantages for your organization's mission of working the Internet. Once you have worked this out, however, make sure you have strong arguments ready to counter such people.
- **Wasting time:** There is an incredible amount of information on the Internet. You and your staff will be very tempted to over-indulge. The Internet can be very helpful to your organization in the ways described above, but it can also waste huge amounts of time, and incur considerable online costs, if users do not know how to navigate the Web effectively.

Methodology

Show OHT 89 section by section. Ask participants if they have had experience of any of these limitations and barriers, and ask them to tell their stories. Ask for any other examples of barriers.

Limitations and Barriers

- **Money**
- **Quality of the Websites**
- **Informing People where to find you**
- **Ready arguments to counter retractors**
- **Wasting time**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.7 It May Yet Come To You

Purpose

To look at ideas which are being developed in the West and North that may become accessible soon in the South.

Text

This last section shows ways that the Internet is being used in the North for resource mobilization. Some of these options may be available for you in the South, in which case you should be ready to 'catch the wave' once it comes. Others may not be adaptable to your country, culture, and level of technology, or may not be yet.

Your Fundraising Strategy

Specific technologies should never drive your online fundraising strategy. Your use of technology should be part of an overall fundraising plan based on a thorough assessment of your organization's fundraising strategy, including the use of digital technology.

Different Approaches

There are a number of different approaches to online fundraising. The options fall into four different types.

1. Donation/Charity Portals: A donation/charity portal website typically provides a directory of many different non-profit organizations. Web visitors can select their favourite charity and make a donation online using their credit card. The donation portal processes the transaction, acknowledges the gift and forwards the money along with a report, including donor information, to the non-profit organization.

2. Payment Service Providers: Some organizations are interested in setting up their own e-commerce system to accept credit card information, but would like to avoid the complications and costly strategies that may be involved. A Payment Service Provider (PSP) may be a solution. A PSP is a vendor who will manage the entire back-end of your donations and payments. PSPs specialize in setting up secure credit card systems for non-profit organisations and enables them to accept credit card donations by providing a link on the organization's website to a pledge or donation page that resides on the PSP's server. They make their money through a fee structure based on the contributions you receive.

3. Charity Mall or E-commerce Commission Portals: In this case, your organization places a banner advertisement link to an online merchant or mall on your organization's website. Web donors (and/or members to the site) click on the link and are taken to an e-commerce site where they can purchase a variety of items, designate their favourite cause or charity, and the merchant or mall donates a percentage (usually 5 per cent) of the sales revenue back to your organization.

4. Click and Give: Another approach to online fundraising has been the 'click and give' or 'click and donate' sites. It offers web visitors a simple method of giving by simply clicking on a button. When you click, the web server registers your action and adds your food 'donation' to the daily total.

Database/Fundraising Software: Purchasers are confronted with a multitude of options at every price level, from comprehensive proprietary packages with sophisticated add-on modules to introductory-level shareware or freeware programmes available on the Internet.

Methodology

Show OHT 90. Ask if any participants have had experience of any of these ideas. Ask if they think such ideas come to their country and give reasons for or against.

Be Ready for these Possibilities

Your use of technology should be part of an overall fundraising plan based on your organization's overall fundraising strategy. Don't be seduced by technology on its own!

Different Approaches:

- ***Donation/Charity Portals***
- ***Payment Service Providers***
- ***Charity Mall or E-commerce Commission Portals***
- ***Click and Give***

Database/Fundraising Software

a multitude of options at every price level from comprehensive proprietary packages with sophisticated add-on modules to introductory-level shareware or freeware programmes available on the Internet.

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET**15.8 Case Studies****Purpose**

To illustrate the different ways in which the approach of using the Internet might work.

Text

See the following handouts:

- Handout 27: Hughes Software Systems, India
- Handout 28: The Virtual Foundation, USA
- Handout 29: The Mirror Arts Group, Thailand

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?

Hughes Software Systems, India, Charities Aid Foundation India and Drought Relief

Send H2O Parched earth, sweltering heat, nothing to eat, no water to quench the thirst, loss of cattle, and thus means of income is a typical scene in the famine stricken areas of Rajasthan and Gujarat. This colourful land is the next victim of nature's fury after Orissa. Most of the areas in this region today are absolutely dry where the basic source of sustenance, water, has become a mere mirage for the millions of faceless villagers. The sordid tale of these villagers is one of parching human throats and singeing human souls and psyches. As a result thousands of people are forced to leave their home in search of a few drops of water for survival.

Think about them....

Kehem Singh of Sanawada, Pokhran, who worked in temperatures of 45 degrees for 10 days and was given Rs.140 by the contractor as his dues. That's Rs 14 a day to buy food and water for himself and his family.

Phool Devi who toils for hours to feed her nine children

Thousands of women across Rajasthan and Gujarat whose first chore of the morning is to spend hours trying to draw up clean water from drying village wells.

Unable to feed their cattle, the farmers are bidding them a tearful goodbye and abandoning them to die of hunger and thirst. There is hardly any village left in the area that is not strewn with carcasses of animals rotting in the scorching sun.

Human life is also going to meet the same fate if a timely help is not provided to tide over the situation. Five crore people are already affected by this frightening catastrophe with casualties increasing every day.

In times of such crisis we all need to rise to the occasion and prove our character as corporate citizens by extending a helping hand.

Let's contribute generously to the cause of the drought victims. In an earnest effort to do their bit for the cause, HSS has started the send H2O campaign wherein the employees on a personal level and the company own its account will be contributing to this fund, and all the proceeds that are collected from them would be utilized for the relief of the drought hit villagers of Rajasthan and Gujarat.

Aid Delayed is Aid Denied

If you would like to contribute to Drought Relief, please click here.

If you click on the place mentioned, you see the following page

DRY – Disaster Relief and You

Disaster Relief and You – DRY is an initiative on disasters with information and details provided by persons on the spot. DRY is also your opportunity to help those facing disaster.

The country has seen a series of disasters – the present drought in parts of Andhra Pradesh, Madhya Pradesh, Rajasthan and Orissa, the cyclone in Orissa and Gujarat earthquakes and possibly even famine

Those affected need your helping hand to recover and rebuild their lives. DRY and you in partnership, we do it. For further information contact CAF India

CAF India Floods Droughts Earthquakes Famine Cyclone Response

This initiative is being promoted by CAF India on behalf of voluntary agencies. CAF India is a registered public charitable trust and donations made to CAF India are exempted under section 80(G) of the Income Tax Act.

This site is supported by Hughes Software Systems

Copy of the website of HSSworld,
<http://www.hssworld.com/peoplenet/working@hss/sendh20.htm>>

The Virtual Foundation

The Virtual Foundation is a unique online philanthropy programme that supports grassroots initiatives around the world. We post carefully screened, small-scale project proposals on our website where they are read and funded by online donors.

The Virtual Foundation was founded in 1996 by ECOLOGIA, an international non-profit organization that has supported environmental movements and groups across Eurasia since 1989. The mission of the Virtual Foundation is twofold: to support local projects initiated by non-governmental organizations (CSOs) in the field of environment, sustainable development, and health; and to encourage private philanthropy among citizens from all walks of life.

The Virtual Foundation works in co-operation with a network of organizations throughout the world to develop and support projects. The member groups of this network, called the Virtual Foundation Consortium, have offices and staff working 'in country' with local groups they know well. Consortium members work with these local groups to develop small-scale project proposals that are submitted to the virtual foundation. The proposals are then posted on the virtual foundation website. Individuals, families, and community groups visiting the website read the proposals, see pictures illustrating the project, evaluate the project's budget – and then make a donation to the project of their choice. In short the Virtual Foundation helps grass roots organizations obtain vital support for their projects and allows individuals and groups to easily become international philanthropists!

To learn more about the Virtual Foundation, continue on to the How it Works section. Or, if you have questions, feel free to contact us by email or by phone.

If you click [How it works](#), then you get:

How it Works

The following is a step-by-step look at how a project is funded through the Virtual Foundation

Step 1: A community group in a participating country (ie a country with a [Virtual Foundation Consortium Member](#)) wants to carry out a project that would, for example, clean up a polluted stream in their region. The group submits their project idea to a local Consortium member. The Consortium member works with the group to develop a detailed proposal describing the need for the project and how the project will be realized, as well as an itemized budget for project activities. The proposal and budget are then submitted to the Virtual Foundation.

Step 2: The proposal is evaluated by the Virtual Foundation's [Grants Co-ordinator](#) and Proposal Review Committee. When questions arise, the proposal is returned to the Consortium member for clarification. If the proposal meets the Virtual Foundation's [criteria](#), and is approved by the Proposal Review Committee, it is posted on the Virtual Foundation website.

Step 3: Visitors to the Virtual Foundation website read the description of the project's goals and activities accompanied by a budget and photos that illustrate the proposal. These visitors select a project to support and may even make online [donations](#) directly through the Virtual Foundation's website

Step 4: Following transmission of the donated funds and initiation of the project activities, reports on the project's progress are posted on the Virtual Foundation's website. Donors are encouraged to communicate with members of the project they funded, and follow the project's development. The goal of the Virtual Foundation is to foster lasting global partnerships between grassroots groups and our online donors

Source: <http://www.virtualfoundation.org>

The Mirror Arts Group, Creating a New Tool for Resource Mobilization in Thailand

Vision

The Mirror Arts Group (MAG), a community development organization in Northern Thailand, seeks to raise awareness of social problems and galvanize the resources and community support necessary to find solutions.

It considers the Internet to be a cost effective means of accomplishing this goal, given the recent dramatic interest in the number of Internet users in Thailand, both urban and rural. It is estimated that there are 800,000 Internet users in the country. For MAG, the cost of using the Internet to attract attention to and support for social problems is minimal: the cost of design and the cost of connection. And the return is large, as the growth of the Internet audience is increasing everyday.

Though the primary purpose of the website is educational, it has since demonstrated the added benefit of becoming a tool for resource. Said Sombot Boonng-amanong, the MAG Founder and Ashoka Fellow, 'We needed to create a quick low cost means of mobilizing resources that enabled them to respond to community problems as they emerged.'

Strategies

- ***Know how to build and revise your website in order to keep it regularly updated and geared towards members' interests***

MAG updates its site every two days keeping information current, a strategy that draws visitors back to the site. MAG's own self-sufficiency in computer technology, website design, and knowledge of the Internet language HTML are key factors in keeping its site timely and inexpensive.

Customizing information to visitors' interests is another key component. 'In Thailand, the Internet is a form of entertainment', reports Sombat Boonngamanong, MAG Founder and Ashoka Fellow. 'Young people, students mostly, are the most active Internet users, and they use it for chat rooms.' MAG realized that this was its primary audience and designed the site to appeal to the entertainment interests' of this crowd, while simultaneously shifting their focus to social issues.

- ***Advertise the website through multi-media to a variety of sectors***

To bring people to its site, MAG utilizes a variety of marketing channels, which not only vary by medium, but also vary by target audience. These channels include linking MAG's site with other sites, advertising on banners, and registering with portal pages. When advertising through links, MAG recommends not linking to the site, but linking to a specific project – this tailors the interests of a specific target audience to a corresponding project.

MAG also advertises its site through its own newsletter. 'It's a quick update on "What's New on the Internet",' says Boonngamanong. A factor in its success is that it is geared to a variety of sectors, and does not only focus on social issues. 'We invite new sites to submit a short profile for advertising and we discuss new Internet programmes. In each edition we post five new items, only one is social. This is one of the reasons for success, we appeal to many types of web users'.

- ***Build a membership and resource base through information, relationships, and interactivity.***

To obtain resources from its website visitors, MAG has created 'an on-line membership'. MAG successfully turns visitors into members by offering them information and personal relationships, and providing the opportunity to give back to the organization. Boonngamagong is adamant that a request for donations should not be the first contact that members have with the site. 'Make potential donors feel that they want to participate,' he advises. 'Make them feel, not simply know, about the issues and the need for resources.... And then offer a way to give back.'

Some respond by returning to the site; others respond by interacting with the site through bulletin boards and chat rooms. Still others find the need to give something tangible, which was what launched the site as a tool for resource mobilization. MAG's website now offers members the chance to donate cash and books. It also offers a chance to volunteer in the community.

- ***Track website visitors, building an electronic mailing list of e-mail addresses***

MAG tracks the visitors to its site, keeping names and email addresses in an electronic mailing list. As a result of this system, MAG has a list of on-line members to whom it can regularly send announcements, new information, and emergency requests for donations.

Results

MAG receives about 600 hits a day to its site, yielding 7200 members for its mailing list. In 1999, through on-line recruiting, 400 people visited MAG's community development initiatives: about 100 of these volunteered to work in the community. In 1998, they received over 100,000 books. Today they are receiving one box of books every three days. Six months ago, they began soliciting financial donations through the Internet, and have since raised over 200,000 Baht (approx US\$ 5406)

Source: www.changemakers.net/respources/0400mirror.cfm. This is part of the Ashoka web page www.ashoka.org

DECIDING WHICH WAY TO GO

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.1 Addiction

Purpose

To examine the difficulty that CSOs have in making the commitment to financial self-reliance.

Text

Most CSOs are addicted to foreign funding; they cannot imagine a world without it, and they have difficulty in moving beyond a theoretical understanding of the value of financial self-reliance to its practical application. A gulf separates those organizations that are intellectually convinced and those that are prepared to commit themselves to trying out the new approaches practically. The new approaches illustrate a new paradigm, a different way of structuring experience, and different organizations, depending on their background and fields of interest, will embrace this new paradigm with different degrees of enthusiasm. The situation is most stark (and easiest to deal with) in countries where the standard of living has increased, poverty has been reduced, and donors have consequently pulled out – eg Malaysia, Thailand, Botswana, and Chile. Not only are there very few donors willing to help CSOs in such countries any longer, but the disposable income of both individuals and organizations in those countries has increased, and thus a strategy of pursuing local resources seems both feasible and worth pursuing.

The situation is, however, soon likely to be stark everywhere. The amounts available from the traditional donors are diminishing everywhere, and, at the same time, the conditions and regulations laid on the funds that are available are becoming more and more donor-directed and burdensome. Once CSOs have been exposed to some of the possibilities other than foreign grants (and once there is a pool of experience amongst CSOs in using some of these possibilities), the message of Chapter 1 will be persuasive – ‘existing patterns of resources will likely (a) not be available to your organization in the future, (b) will be felt to have disadvantages that outweigh their advantages, (c) will seem less attractive in relation to some other resources’.

A complicating factor is the ‘inconsistency’ of the patterns of foreign donor funding. Countries that are gradually evolving to a situation where foreign funding is less available and local resource mobilization is becoming an attractive option may suddenly become the focus for large new infusions of foreign donor funding for particular sectors that appeal to donors’ agendas at that time. It is thus difficult to persuade Indonesian CSOs to look for alternatives to foreign funding when it is not only so easy to get, but is actually being promoted. Such promotion also has the effect, however, of encouraging new entries into the CSO sector simply to take advantage of the funding that is being offered. And yet the time to move on from foreign funding to local resource mobilization is precisely when the going is good and there is time to maneuver – not to wait until funding has dried up. Planning for a drought is easiest at time of plenty.

Methodology

Show OHT 91. Ask participants about their experience of donors – have they been told there will be an end to foreign funding? Has availability of funding changed in their experience? Ask participants to think about the reasons why CSOs do not move into local resource mobilization, even when they are intellectually convinced of its importance.

Addiction

A gulf separates those organizations that are intellectually convinced by, and those that prepared to commit themselves to trying out practically, the new approaches described in this course.

The Arguments again:

1. The money is going elsewhere:
Malaysia, Botswana, Thailand, Chile, many others – they all used to have foreign funding, but very little any longer
2. Foreign aid is not so attractive:
The conditions and regulations laid on the funds that are available are becoming more and more donor directed and burdensome
3. ‘Inconsistency’
Sometimes large new infusions of foreign donor funding target countries in which foreign funding was becoming less and local resources more available - playing to donor’s varied agendas

The time to move on from foreign funding to local resource mobilization is precisely when the going is good and there is time to maneuver – not to wait until funding has dried up.

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.2 Strategic Planning

Purpose

To persuade CSOs that a move to a local resource mobilization strategy cannot easily be embarked on without a serious re-examination of the whole organization's strategic plan.

Text

If a CSO has made the 'leap of faith' decision to embrace the new paradigm, it is important for it to remember that the taking up of any of these local resource mobilization approaches will require changes in the structure and management of the CSO if it has been dependent previously on foreign funding. The CSO will likely require new sections, department, skills, staff, and even a new vision and mission. There will be a need to build new capacity in the CSO.

Because of the far-reaching and fundamental nature of the changes that are required in CSOs moving into some of these alternative approaches, it is sensible to link such a move with a strategic review of your CSO and a strategic planning exercise. Strategic planning is not a new field for many CSOs – it is likely that they have undertaken strategic planning exercises previously. These typically involve thinking about vision, mission, external and internal environments, alternative strategies, choice of programmes and projects. It is also likely, however, that previous strategic planning has considered expenditures rather than revenue.

An organization that is serious about local resource mobilization will appreciate that the changes to revenue planning are radical and will require the organization to re-examine many organizational concepts, and include in its strategic review some attention to the benefits of local resource mobilization. Its vision will be one in which the organization's work is supported by the people of its country; its mission will be one in which the organization actively encourages local stakeholders and their support.

Some exercises can help you to identify the factors that will help or hinder your move to financial self-reliance. One such is a PEST analysis (political, economic, social and technological). This exercise helps an organization systematically to think through what aspects of your society (within these categories) will be helpful in a move to financial self-reliance. Another exercise is a SWOT analysis (strengths, weaknesses, opportunities, threats) of your organization. This helps you systematically to think through what aspects of your external and internal environment will help or hinder your moves to financial self-reliance. It is very important that the CSO persuades all its stakeholders of the importance of the changes, and listens to any concerns they may have. For the organization to move forward convincingly with a new resource mobilization strategy, the CSO at all levels (governing body, senior and junior staff, volunteers) must be convinced of its need and its viability. Some members of staff may not be able to accept the new strategies (working with the corporate sector, for instance) and may decide to leave. Others may be delighted at the possibilities for creativity. Others still may need retraining.

Methodology

Show OHT 92. Ask participants what changes it would mean to their organization if they undertook a local resource mobilization approach. Ask participants if they have undertaken formal strategic planning sessions. Ask them to describe them. Have they used PEST and SWOT?

Moving from Intellectual Acceptance to Practical Application

No CSO should move from foreign funding to local resource mobilization without a serious strategic appraisal of the organization.

The CSO will likely require:

- **New sections**
- **New skills**
- **New staff with new capacities**
- **Revenue budgeting as well as expenditure budgeting**
- **Possibly a new vision and mission**

Strategic Planning is a necessary and important step.

- **Clarifying Vision and Mission**
- **External and Internal Environment Scanning (use PEST and SWOT)**
- **Consideration of Alternative Strategies**
- **Choices of Programmes and Projects**

**Make sure the whole organization is involved
Board, Staff, Volunteers**

Be prepared for some to be re-energized, some to resign and some to require retraining

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.3a What Aspects of the New Paradigm are Most Important to your CSO?

Purpose

To help CSOs clarify for themselves the positive and negative sides of local resource mobilization from their own perspective, before they identify which ones they would like to apply.

Text

Different organizations will give different degrees of emphasis to the opportunities and the constraints provided by the new paradigm. It is important for CSOs to think these through as part of the process of choosing the most suitable approach for them. Certain of the approaches will involve constraints of one kind, and opportunities of another. Looking back at Part of the handbook, the following positive and negative issues in pursuing local resource mobilization have been noted. Once you discuss your own organization's position you may well come up with others:

Positive

- Links to your own society.
- Control over the use of resources.
- Variety of resources (thus reducing vulnerability).
- Ability to design your own programmes.
- Commitment to sustainability.
- (Please add your own ideas).

Negative

- Danger of distorting mission.
- Amount of work required.
- The likely return on effort.
- Distaste for certain partners (eg business or government).
- Difficulty of getting support for your particular cause.
- Lack of skills or experience in resource mobilization.
- (Please add your own ideas).

The balance of positive and negative factors for you to weigh up is far from fixed at any one moment in time, however. An alert and active CSO has to be opportunistic and see what existing and new possibilities there are, even though it had not thought of these originally. A change in tax law, for instance, might make it more attractive for businesses or individuals to support the work of CSOs; a particular event might allow a CSO to capitalize on the interest generated by its work; a new indigenous foundation might be set up, or a foreign donor might start a programme of venture capital for CSOs. A business person with entrepreneurial ideas might join the board and have many suggestions for income generation.

Methodology

Present OHT 93 section by section. Ask the group to think with you of the positive and negative aspects and add their own

Positive and Negative Aspects of Local Resource Mobilization from your Organization's Perspective

Positive

- Links to your own society
- Control over the use of resources
- Variety of resources (thus reducing vulnerability)
- Ability to design your own programmes
- Commitment to sustainability
- (Please add your own ideas)

Negative

- Danger of distorting mission
- Amount of work required
- The likely return on effort
- Distaste for certain partners (eg business or government)
- Difficulty of getting support for your particular cause.
- Lack of skills or experience in resource mobilization
- (Please add your own ideas)

Be opportunistic and see what existing and new possibilities there are

DAY FOUR/SESSION SIXTEEN: NEXT STEPS**16.3b What Aspects of the New Paradigm are Most Important to your CSO?****Purpose**

To help CSOs clarify for themselves the positive and negative sides of local resource mobilization from their own perspective, before they identify which ones they would like to apply.

Text

A useful exercise would be to arrange a matrix of the positive factors on one axis and the kinds of resource mobilization options on the other axis and think through how important these features are to you in your choice of the different options. Then do the same exercise with the negative factors. This will help you systematically to think through the features of your organization that are most important to you, and which of the resource mobilization options as a result seem most attractive.

Methodology

Get each organization to draw up two flip chart sized matrices – one positive and one negative along the lines of the model opposite. On the horizontal matrix let them fill in the prepared features (if they agree with them) together with any others they may have thought of.

In the boxes they can write their comments in a variety of ways (ticks, percentages, actual comments).

After filling in all the boxes, organizations should ring (or underline) the resource mobilization approach that seems most clearly to fit in with their thoughts.

Exercise 12

Working Out which Aspects of the New Approaches Fits with Your Organisation's Thinking

Positive factors in pursuing local resource mobilization

	POSITIVE				
	Links to own society	Control over own resources	Variety of resources	Ability to control resources	Commitment to sustainability
Earned income					
Indigenous foundations					
Individual philanthropy					
Grass-roots organizations					
Government					
Foreign agencies					
Endowments/ reserve fund					
Corporate sector					
Debt conversion					
Microcredit					
Social investment					
Internet					

Exercise 12

Working Out which Aspects of the New Approaches Fits with Your Organization's Thinking

Negative factors in pursuing local resource mobilisation

	NEGATIVE					
	Danger of distorting mission	Amount of work required	Likely return on effort	Distaste for certain partners	Difficulty of getting support	Lack of experience in Financial self-reliance
Earned income						
Indigenous foundations						
Individual philanthropy						
Grass-roots organizations						
Government						
Foreign agencies						
Endowments/ reserve fund						
Corporate sector						
Debt conversion						
Microcredit						
Social investment						
Internet						

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.3c What Aspects of the New Paradigm are Most Important to your CSO?

Purpose

To help CSOs consider the issues involved in committing themselves to a new local resource mobilization approach.

Text

A sharp CSO will have thought through its own response to the variety of possibilities of resource mobilization, but will also be ready to respond to possibilities that arise. In every case the CSO will have to consider:

- **Costs:** what will be the expenses involved in setting up a local resource mobilization strategy?
- **Capacity Building:** what skills does the organization have and what does it need? Where can such skills be acquired?
- **Disruption:** how can this new strategy be embraced by the organization with the least damage to its ongoing work?
- **Energy and Creativity:** how can this new paradigm galvanize all stakeholders in the organization to be creative in finding ways to make it work?
- **Sequencing:** what needs to be done, in what order, to make sure of success?

In all cases it should factor in the possibilities that the use of the Internet may provide.

Methodology

Show OHT 94 and leave it up. Ask each organization to write down answers to all these questions. Then ask some at random to read their responses out and discuss.

Things to Consider (once you have chosen your approach or approaches)

- **Costs:**
what will be the expenses involved in setting up a local resource mobilization strategy?
- **Capacity Building:**
what skills does the organization have and what does it need? Where can such skills be acquired?
- **Disruption:**
how can this new strategy be embraced by the organization with the least damage to its ongoing work?
- **Energy and Creativity:**
how can this new paradigm galvanize all stakeholders in the organization to be creative in finding ways to make it work?
- **Sequencing:**
what needs to be done, in what order, to make sure of success?

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.4 Donor Education

Purpose

To help CSOs involve their existing foreign donors in their new approaches.

Text

Since the assumption of this book is that most CSOs are probably presently working with foreign funding, it is important, where possible, to keep on board the foreign donor that you have been working with for some time during the transition to local resource mobilization, because this donor is an important potential stakeholder in the process. It should be possible for the CSO to persuade its foreign donor of the rightness of its strategic change, and indeed persuade them to help it in this change. Sadly, however, many foreign donors are stuck in a rut of serial project funding from foreign grants, and have not thought through how they can better support CSOs by other means. In this connection, rhetoric and reality are far apart. Richard Holloway's article 'The Unit of Development is the Organisation not the Project' puts it this way (SAIS, 1999):

Where lies sustainability and self-reliance—two important concepts for Northern development agencies? The gap between rhetoric and reality is astonishingly wide. Northern donors are saying on the one hand that SNGDOs (Southern non-governmental development organisations) are important agents in development because of their unique characteristics, and their existence is important as representatives of the civil society, but they do little to help the organizations do anything more than implement Northern designed projects with Northern money. Northern donors are also saying that SNGDOs should be sustainable agents of effective development into the future, but they assist them in ways that not only do not build organizational continuity, but also isolate them from their own people. They do not, moreover, help them to build financial self-reliance.

There is considerable need to educate donors, and not just civil society organizations about the value of indigenous resource mobilization.

There may also be the possibility of keeping a funding relationship with a foreign donor for certain programmatic activities, while scaling down your organization's vulnerability to it. If a CSO has been convinced of the arguments for local resource mobilization, it can build towards it, gradually involving more and more citizens in its resource base, and decreasing its dependence on foreign sources.

Methodology

Show OHT 95. Ask participants if they think that their existing foreign donors will be interested in their thinking and their new plans. Do they think they can engage their existing foreign donors in any aspect of it?

Will Your Foreign Donor be Supportive?

Options:

- **Rejection**
- **Academic interest, but no help**
- **Positive encouragement, but no actual help**
- **Joint planning and flexible assistance**
- **Specific funding (and other assistance) for a sustainability programmes**

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.5 Citizens' Initiatives

Purpose

To help CSOs identify models for themselves in their new strategic directions.

Text

While educating foreign donors is undoubtedly important, the onus lies with the CSOs, the organizations of citizens in the South who care about social change and better development, to 'make the path by walking'. Most of the examples in the case studies of this book reflect strong civil society organizations that have pioneered ways of working (and ways of funding that work) that owe more to their own initiative and social entrepreneurship than to educating foreign donors. By constantly expanding the range of what is possible, they have created space for others to follow.

The Aga Khan Foundation has put the case well in its submission to the Department for International Development (DFID) (UK) when DFID asked for advice on how it could best support civil society:

Citizens' organizations will only become a permanent, stable part of the social order - will only become viable as a sector - when a stable resource base for the sector as a whole is secure. As it stands in most developing countries, the sector depends far too heavily and dangerously on foreign aid. Once citizens' organizations tap broad public support - through money, volunteer time, in-kind support, quasi business sales and or/information - they will have as steady a foundation as businesses, religions, unions, political movements, and all other groups that developed and set down their roots in earlier periods.

Towards this end, one should work on both supply and demand side solutions. On the supply side, one should promote indigenous philanthropy, including through the creation and support of national philanthropy resource centres and through experimentation with new indigenous mechanisms of philanthropy. On the demand side, one should foster effective local resource mobilization.

Civil society organizations convinced of the rightness of this approach need to start to make the road by walking – to create a path by making it. There are some pioneers from whom lessons can be learnt, it is true, but there are enormous spaces for social entrepreneurs to develop new ideas where there have been no such ideas previously. CSO staff who are aware of opportunities, who are prepared to take risks, who have competitive drive and determination, and who have imagination, can change the face of CSO resource mobilization. In the future it may well be that organizations relying on foreign funding will be the exception rather than the rule.

Methodology

Show OHT 96. Ask the participants to think of examples to inspire them as they start this process – organizations which they can learn from and whose progress they can monitor. How will they systematically keep in touch with them? And with others in the course who are committed to trying?

Who will make the path by walking?

- **Which organizations are exemplary?**
- **How will you keep in touch with their progress?**
- **How will you keep in touch with each other's progress?**