

## **What The Training Course Offers**

- a. to change the ways that civil society organizations think**
- b. to provide tools that civil society organizations can use to mobilize resources**

**Use of the tools will help to change the way that civil society organizations think**

## **The Training Course believes:**

- The existing pattern of support for civil society organizations in the South, which is largely based on foreign funding, is not sustainable.**
- A variety of other domestic resources are potentially available to Southern civil society organizations, but have not been adequately researched, attempted, or mainstreamed by them.**
- Local support, expressed through local funding, is fundamentally important for the long term sustainability of Southern civil society organizations and their programmes.**

## **The Need for Resources**

**Civil Society Organizations need resources so that they can be:**

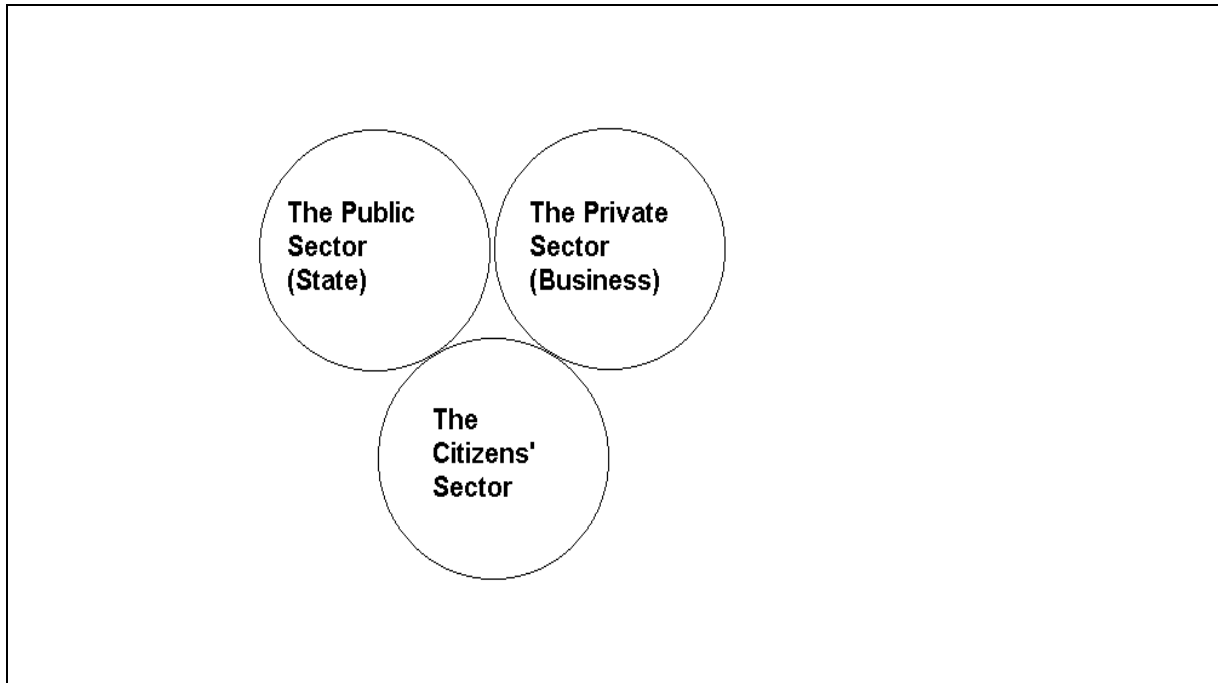
- a. effective, and**
- b. sustainable.**

**The CSO world is very likely to change.**

**Existing patterns of resources to Southern CSOs will likely fall into one or more of the following categories:**

- They will not be available to your organization in the future.**
- They are felt to have disadvantages that outweigh their advantages.**
- They seem less attractive in relation to some other resources.**

# The Three Sectors of Society and their Competences



## Core Competencies

**The State:** Legitimate use of coercion

**Business:** Market exchange

**Citizens:** Private choice for public good

Shared values with other citizens

Shared commitment to action with other citizens

# Clarifying Who We Are

## Characteristics of Southern CSOs

- are driven by values that reflect a desire to improve lives;
- contain elements of voluntarism (ie are formed by choice, not by compulsion, and involve voluntary contributions of time and money);
- have private and independent governance;
- are not for anyone's profit (ie they do not distribute profit to staff or shareholders);
- have a clearly stated and definable public purpose to which they hold themselves to be accountable;
- are formally constituted in law or have an accepted identity in the culture and tradition of the country.

## *The Pretenders*

- *NGIs, Briefcase NGOs*
- *GONGOs (Government organized NGOs)*
- *DONGOs (Donor organized NGOs)*
- *BONGOs (Business organized NGOs)*

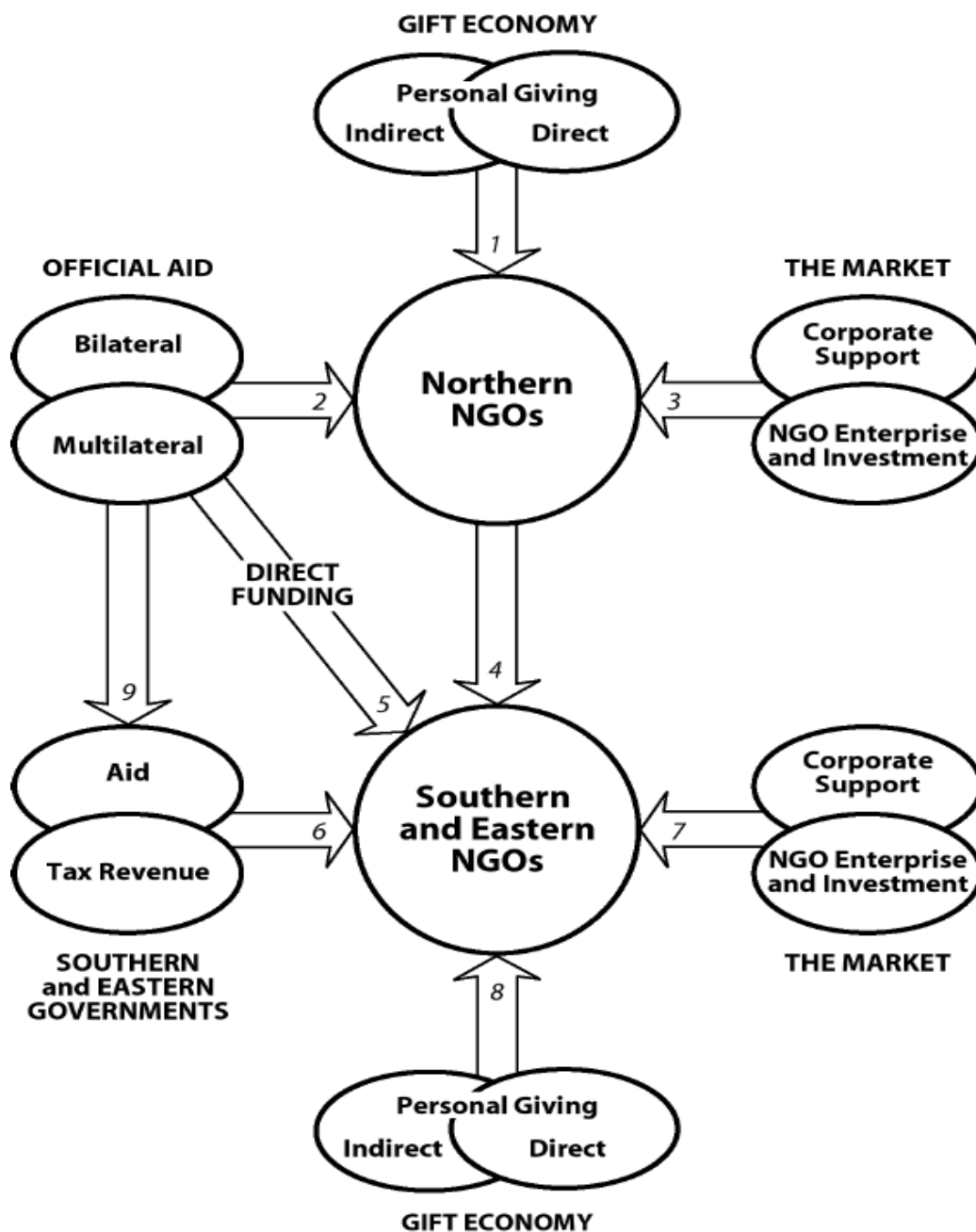
## **What do CSOs Need?**

**To be effective and sustainable, CSOs need**

- 1. Good Programmes**
- 2. Good Management**
- 3. A Commitment to Sustainability**
- 4. Financial Resources**
- 5. Local support which includes:**
  - a supportive political, legal, and fiscal environment**
  - good human resources**
  - a good reputation**
  - supporters from a variety of different sources**
  - well-placed champions**

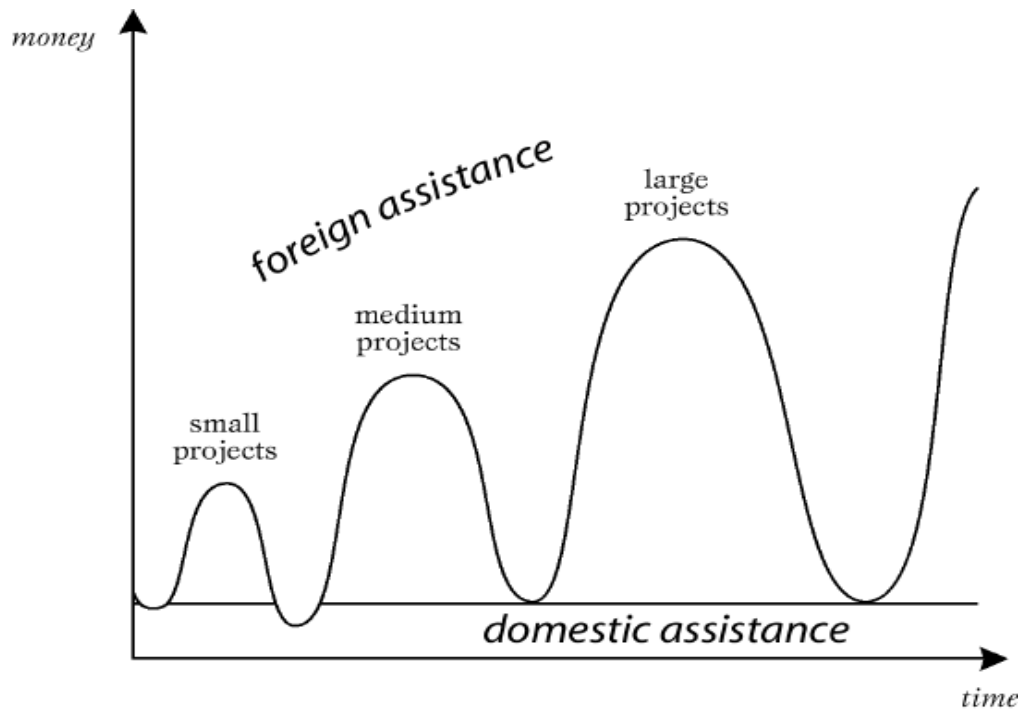
## The Flow of Funds to CSOs

Source: Alan Fowler (1999) *Striking a Balance*, Earthscan Publications, London



From *Striking a Balance* by Alan Fowler  
(note use of NGO not SCO)

## The Usual Situation of CSO Financing



## **The Influence of the Aid Trade**

- **CSOs are conditioned by the availability of funds from foreign sources. This only dates from the 60s.**
- **What resources were available to older organizations?**
- **What resources were available to organizations in the North when they started?**
  - **Public contributions**
  - **Government subventions**
  - **Own enterprises**
  - **Investments**
- **Have any of these been sustained?**

## **The Limitations of Foreign Funding**

- **Foreign funding does not build local support for your work**
- **Foreign funding makes you politically vulnerable in your own country**
- **Foreign funding betrays basic principles of self-reliance that you are urging on others**

## **The Leap of Faith**

**In Most Circumstances Resources are available to CSOs from your own country (supplemented perhaps by foreign funding)**

**IF**

- **CSOs pursue missions and perform functions that are valuable to society**
- **CSOs are able to communicate this to society at large**
- **CSOs undertake well-designed efforts to obtain the resources needed to perform these functions**

**NB: Not all CSOs will be supported in the future, nor should they be**

## **What are the Alternatives?**

### **Three Categories of Ways to Mobilize Resources**

- **Accessing existing wealth (from private and public sources)**
- **Generating new wealth (through market-based approaches)**
- **Capitalizing on non-financial resources**

# **The Context for Accessing Existing Wealth**

## **The Present:**

- **Decreasing Pool of Foreign Resources**
- **Increased Competition for Foreign Resources**
- **Increasing Dependency on Northern decisions**
- **Increasing search for the right 'key' to unlock the donor's safe**

## **The Future**

- **Look for opportunities for joint ventures between CSOs and sources of existing wealth**
- **Look for existing wealth as a way to build up CSOs' wealth sustainability**
- **Look for long term and mutually beneficial partnerships with sources of existing wealth, not short term ways of capturing wealth**

## **Six Approaches for Accessing Existing Wealth**

- **Indigenous foundations**
- **Individual philanthropy**
- **Grass-roots CSOs**
- **Government**
- **Foreign Development Agencies**
- **Business**

## **Six Approaches for Generating New Wealth**

- **Production and trade**
- **Conversion of foreign debt**
- **Establishing and operating micro-credit programmes**
- **Tapping social investment**
- **Building reserve funds**
- **Using the Internet**

## **Nine Ways of Capitalizing on Non-Financial Resources**

- **Volunteer Time**
- **Volunteer Skilled Labour**
- **Goods and Materials**
- **Experience**
- **Seconded Professional Personnel**
- **Training**
- **Access to Public Policy Fora**
- **Access to Services provided for Non-profit Organizations**
- **Champions**

# **Why Should Anyone Give Money to a CSO?**

## **Some Possible Reasons**

- **Because it is doing good work**
- **Because it is doing good work more effectively than others**
- **Because it is honest and responsible**
- **Because it is attractive and persuasive**
- **Because it appeals to a particular interest in a potential donor**
- **Because it is potentially useful to a potential donor**
- **Because it is asked**
- **Because it has no other support and may collapse**

## **Communicating to Ordinary Citizens**

- **Foreign donor organizations use different language from local people. They have developed their own jargon**
- **Local people usually understand local languages better than ‘colonial’ languages**
- **CSOs often need to ‘re-learn’ how to communicate to their own countrymen and women**
- **Sometimes even the name of the CSO is not understandable to local people, let alone its purpose**

# Understanding and Communicating Your Mission

## Your Organization's Mission:

- Provides the leading focus for mobilizing human, institutional, and financial resources
- Is constructed from the ideas of those who created the organization and those who will benefit from the organization (ie the constituency)

***The organization looks for resources to implement the mission,***

***NOT***

***The mission changes to reflect available resources.***

## **Educating Ordinary Citizens**

- **Part of CSOs work is to inform the public about abuses or difficulties that may not be well known**
- **Sometimes explaining their work and their purpose involves educating the public**
- **Educating the public is often a first step to getting their support for a particular cause**

## **The Importance of Engaging with Diverse Parties**

- **The beneficiaries or target group**
- **The local community around your target group**
- **The wider public**
- **Specialized groups within the public**
- **The business community - or particular businesses**
- **The government (national and local - political, legislature, executive, judiciary)**
- **The media**
- **Academics or the intelligentsia**

## **Two Kinds of Southern CSOs**

### **Member Benefiting & Third Party Benefiting**

**Donors (of many different sorts) give your organization resources trusting you to spend those resources on what you asked for and they agreed to give**

- **Member Benefiting Organizations**

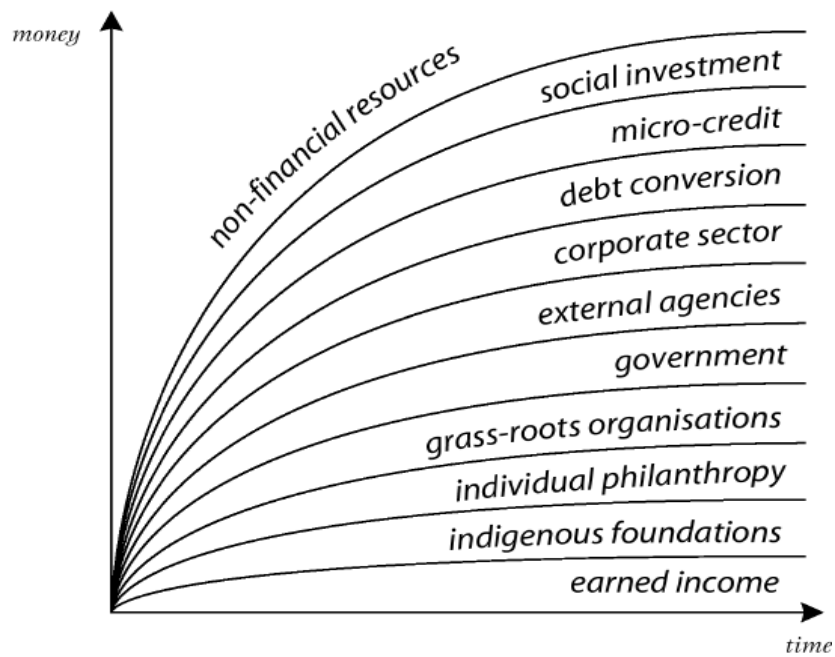
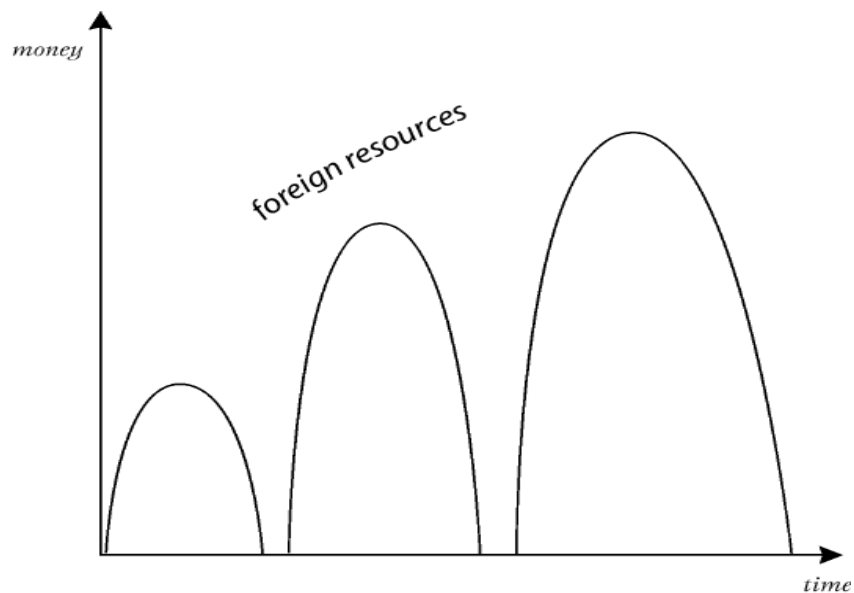
**These collect funds (or other resources) for of which the members are the beneficiaries**

- **Third Party Benefiting**

**These collect funds (or other resources) for programmes of which other parties are the beneficiaries - the organization is an intermediary between the donor and the beneficiary.**

***The CSO has the FIDUCIARY RESPONSIBILITY not to break the donor's trust***

# Single and Multiple Approaches to Resource Mobilization



## **Clarifying Southern CSOs and Profits**

**Profits - for businesses - mean:**

***An excess of income over expenditure that is distributed to private hands (owners or shareholders) - usually on a yearly basis***

**For CSOs**

***Any extra income is re-invested in the CSO's work. It is not 'profit' because the money will not be distributed to private hands***

**Points to remember:**

- **The public and the government are increasingly suspicious of 'pretenders'**
- **The law usually refers to non-profit organizations, not, unfortunately, not-profit-distributing organizations**
- **CSOs need to educate the government law makers about the value of helping CSOs to make their own money (and thus not rely on government or foreign funding)**

## **CSO Revenue from Earned Income**

- **Building income together - as part of a community economic activity**
- **Recovering (all or part of) the costs of Programmes**
- **Income from enterprises linked to the CSO's Mission**
- **Income from enterprises not linked to the CSO's Mission**

## **Building Income Together**

### **- as part of a community economic activity**

- 1. The CSO involves itself in an income generation activity (IGA) of its target group. It has a share in the operation**
- 2. The target group receives an income, and so does the CSO**

**NB1: Reality Check on the IGA itself - is it profitable?**

**NB2: Reality check on the CSO - is it being exploitative of the producers?**

# Recovering Costs of Programmes

## Origins of the idea

- **Pragmatism - people will not value free goods or services: if they pay for them, they will use them more effectively**
- **Political Philosophy - free services come from a socialist perspective: paid services from a market perspective**

## What Can People Afford

- **if the CSO helps them make money?**
- **if the CSO makes them more productive?**
- **if the CSO does neither?**

## What about Subsidies

- **for those who cannot afford to pay?**

## **Enterprises linked to the CSO's Mission**

- **Are there spin-offs from the CSO's main work which can make money from a different market?**
- **Are richer people prepared to pay for services offered free to the CSO's target group?**
- **Can the CSO's skills and equipment be packaged differently to appeal to a different market?**
- **Is there a new product or service using the CSO's core experience that can make money?**

## **Enterprises Not Linked to the CSO's Mission**

**This could be anything that offers a good return on capital**

**BUT**

- **Does not require too high a degree of business acumen**
- **Will not compromise the existing work of the CSO**
- **That capitalizes on free skills and experience of well-wishers**
- **Will not distract the CSO management from the CSO's main business**

## **Issues to Consider**

- **Conflict between CSO culture and Business culture**
- **Lack of business management skills and experience**
- **Planning and allocating financial and human resources**
- **Access to Capital**
- **Competition with the Business Sector**
- **Relations with Foreign Donors**
- **Public Perception**

## **What are Foundations?**

**Foundations are funds set up within a legal structure to be a source of grants, loans or activities for religious, welfare, recreational or developmental activities**

**They are started by:**

- Private individuals**
- Corporate bodies**
- Governments**

**They are set up to give away money**

**BUT**

**The terms and conditions are very specific**

## **Why are Foundations Created?**

- **Rich elders who want to pay back some of their income to society**
- **Rich individuals who want some particular interest of theirs to be continued**
- **Businesses wanting to show themselves good corporate citizens (and distance their giving from the business)**
- **Governments wanting to set up an independent, non-political body**

**Any others?**

## **Accessing Foundations' Wealth**

**CSOs should target Public Trusts - but need information on their purposes and their experience**

**It is possible that the foundations purposes may be narrowly interpreted**

**CSOs can argue that:**

- **Their activities fit the purposes of the foundation**
- **The purposes of the foundation are not addressing contemporary problems and they need to be modified**
- **Their activities are different ways of addressing a problem identified by the foundation**

**There is a need for transparency on how foundations work, and who with.**

## **Encouraging the Formation of Indigenous Foundations**

**Indigenous foundations are valuable because:**

- 1. They establish a focal point for organized and structured giving in the country**
  - 2. They create new sources of funding for CSOs**
  - 3. They encourage the enabling environment for formal philanthropy**
- 
- What factors would encourage the formation of indigenous foundations in your country?**
  - What factors would discourage the formation of indigenous foundations in your country?**

## **Creating a New Culture of Individual Philanthropy**

**New philanthropy is asking for the disinterested giving of:**

- **someone's own resources (money, time, sweat, advice) to an organization (not a person, and not necessarily a person you know)**
- **as an expression of solidarity with fellow human beings**
- **even though they may be strangers (and may not be people who you have ever thought of helping before)**

**In the past funding from government and donors has blocked the need and the opportunity for personal giving**

## **Asking for Funds is not Begging**

- **You are giving a chance to someone to be involved in something worthwhile that you believe in**

**They may also want to believe in it**

- **You are offering people a chance to support something which they would like to support, but do not know how to**

## **Skills Required for Accessing Individual Philanthropy**

**In order for you to make a good income for your organization from individual philanthropy, you will need to:**

- Deal with large numbers of potential and actual donors**
- Learn special techniques required for identifying them and asking them for resources**
- Have many people working for your organization as volunteers to solicit donations**
- Nourish and sustain those who have given in order to persuade them to give again**
- Have a simple and understandable message**

**Not just money but also giving your organization personal time, their sweat, goods and materials, or their good advice**

## Identifying Potential Philanthropists

- What sorts of people are likely to support our Mission?
- Who should support our Mission?
- Who do we want to support our Mission?

## **Non-Monetary Reasons for Supporting Individual Philanthropy**

- **Many hundreds (thousands?) of supporters gives stability**
- **Individual giving supplements and balances irregular giving from other sources**
- **The CSO gets untied funds and autonomy**
- **Proposals are simple**
- **Income is easy to administer**
- **The CSO is accountable to a large constituency which has voted with its donations**
- **People act for themselves, not leave it to others to act for them**

## **The Enabling Environment**

- **The Economy**
- **The Culture**
- **Public Awareness of Society's Needs**
- **The CSO's Credibility**
- **The Helpful Context**

# Methods of Individual Fundraising

- **In Person**
- **At the Workplace**
- **At Events**
- **Through Direct Mail**
- **Through the Telephone**
- **Through the Media**
- **Through Imaginative Ideas**
- **Legacies**

## **Best Practices**

- **Offer people an opportunity for doing something worthwhile**
- **Listen to donors - spend time with them**
- **Tell them about your beneficiaries or target group**
- **Appeal to the heart as well as the head**
- **Thank donors regularly and frequently**
- **Both major and minor donors are important - minor donors can grow**

## **Building Citizens' Grass-roots Organizations**

- **More resources could be raised by the GROs/CBOs that you work with - thus freeing the CSO from needing to raise those funds**
- **GROs/CBOs were originally formed to address the concrete problems of their communities**
- **Now they can do more - they can engage with development problems, generate resources from their community and access resources from outside**

## **Examples of GROs**

- **Social**
  - **PTAs (Parent-Teacher Association)**
  - **Village pharmacies**
  - **Mothers clubs**
  - **Drinking water committees**
  - **Neighbourhood watch groups**
  - **Village health management committees**
  - **Peace & conflict resolution committees**
  
- **Economic**
  - **Producers' groups**
  - **Cooperatives**
  - **Credit unions**
  - **Savings and credit clubs**
  - **Women's income generating groups**
  
- **Natural Resource Management**
  - **Irrigation users' groups**
  - **Grazing associations**
  - **Community forestry associations**
  - **Fisherfolk associations**

## **Strengths of GROs**

- **charge fees from their members**
- **mobilize and earn income from the resources that they control**
- **get voluntary donations in cash and kind**
- **lobby for and attract resources available to local groups from local government**

**and politically**

- **confront powerful interests from the state or market**
- **overcome harmful outside interests**
- **make sure that outside interests helpful to them are supported**

## **GROs Mobilizing Resources**

- **Mapping and analyzing community resources**
- **Membership strategies**
- **Generating resources by providing goods and services for a fee**
- **Collecting from home-town associations**
- **Collecting from businesses**
- **Collecting from local government**

## **Federations of GROs**

**If GROs federate at sub-district, district, provincial - and even national level, they have tremendous potential financial and political power**

- **Multi-thousand subscriptions to common funds**
- **Ownership of their own assets**
- **Ownership of their own transport**
- **Possibilities of cross-subsidies for poorer areas**
- **Venture capital for new investments**

**They are also in great danger of being bought, suborned, or controlled by politicians, and political parties**

## **Non-Financial Aspects of GROs**

- **citizens' ability to organize themselves**
- **citizens' ability to access resources from government**
- **citizens' ability to negotiate with government**
- **social capital (trust, conflict resolution, tolerance, collaboration)**

**and, if possible,**

- **The citizens' ability to federate and form larger groupings**

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

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

## **Two Ways to Approach Government**

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

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

## **Constraints to Working Together**

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

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

# Benefits and Disadvantages of Working Together

## Benefits and Disadvantages from the Government's Perspective

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

## Benefits and Disadvantages from the CSOs' Perspective

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

## **Getting to Know the Government**

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

## **Working Relations**

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

## **Legitimate Questions**

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

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

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

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

### **Important Questions**

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

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

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

## **Existing Funding Types**

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

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

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

# **Financing the Resource Mobilization Approach**

## **Chicken and Egg Situation**

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

## **Providing Venture Capital Funding**

**Foreign Donors will require:**

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

**Business Success will Encourage Further Funding**

## **Non-Financial Resources**

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

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

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

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

## **Business Goals**

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

# Research into Business Giving in Pakistan

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

## **Spectrum of Corporate Social Responsibility**

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

## Concern India: Questions and Answers

### Why is giving relevant to my company?

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

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

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

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

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

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

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

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

## **Overtures from the Corporate Sector**

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

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

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

## **Limitations and Barriers**

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

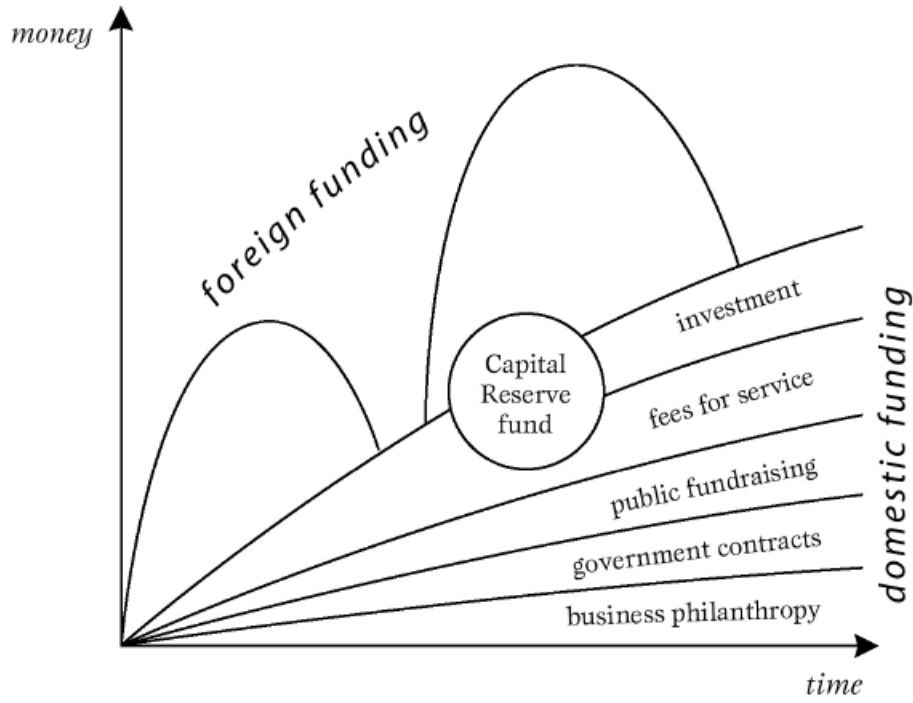
## **Building Reserve Funds**

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

**Make sure it is wisely invested.**

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

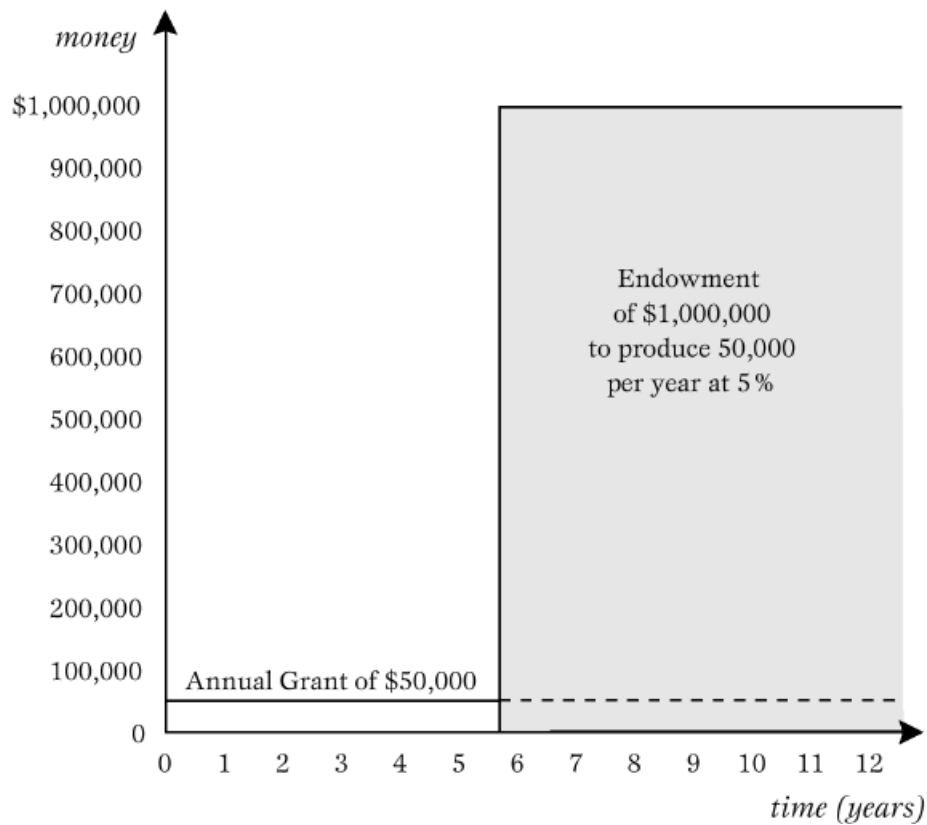
# The Use of Reserve or Corpus Funds



## **Donor Requirements for an Endowment**

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

## Comparison between Serial Funding & Endowment



## **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**

## **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.**

## **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.**

## **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**

# **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.**

## **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**

## **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?**

## **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.**

## **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.

## **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**

## **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**

## ***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**

## **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**

## **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**

## **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**

## **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**

OHT 89

## **Limitations and Barriers**

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

## **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.**

## 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.**

## **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**

## ***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**

## ***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?

## **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**

## **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?**