Towards Financial Self-Reliance

A Handbook of Approaches to Resource Mobilisation for Citizens’ Organisations in the South

Adapted by Richard Holloway from the CIVICUS Book “Sustaining Civil Society: Strategies for Resource Mobilisation”
Author’s Preface

Background
In 1996 Bruce Shearer and Leslie Fox were asked by CIVICUS to compile and edit a book on the subject of resource mobilisation for civil society organisations. This book was to be ready for the 2nd Biennial Global Conference of CIVICUS which took place in September of 1997 in Budapest. The published book was called “Sustaining Civil Society - Strategies for Resource Mobilization” (CIVICUS, Washington DC. 1997). The contributors to this book came from all over the world, and, for the most part, supplied their text by mail.

I was one of the contributors to the book, co-authoring the Chapter on “Accessing Government Resources”. At the CIVICUS conference in Budapest, all the contributors finally met, talked about the book, and talked of what more needed to be done. It was generally agreed that the book needed to be turned into useable training materials, so that the ideas in the book could be made widely available to what CIVICUS called Civil Society Organisations.

I had been doing training courses for NGOs in Asia and Africa on the subject of Resource Mobilisation, and had been an associate and resource person for the workshops of the International Fund Raising Group, but had always felt the lack of a conceptual framework for NGO Resource Mobilization work. Following the Budapest meeting, I studied the book intensively, appreciated greatly its conceptual framework, and developed the materials from it into a 4 day training course. This I tried it out initially in Delhi with South Asian NGOs through the January 1998 Development Management Course of PRIA. Modifying it on the basis of that experience, I tried it again in a very different context in Budapest in May 98 at the International Fund Raising Workshop for Central and Eastern European NGOs through the Civil Society Development Foundation. Finally I modified it again for Jamaican NGOs in June 98 through the training programme in Fund Raising provided by the Social Investment Fund of Jamaica.

From these three experiences of South Asia, Central Europe, and Jamaica I boiled down the essential elements of the book to produce a 4 day training course for Southern (and Eastern) NGOs in Resource Mobilisation - and added to it, where necessary, from other sources. The most valuable parts of the CIVICUS book are, in my opinion, the conceptual framework of the three ways to access resources (Accessing Existing Wealth, Generating New Wealth, and Mobilizing Non-Financial Resources) and the fine case studies assembled by Lee Davis. My thanks to CIVICUS for allowing me to adapt it.

The Aga Khan Foundation, through its programmatic interest in strengthening civil society, was interested in accessing this material for its own programmes, and wanted the materials to be available more widely than simply through
contracted training courses. The Aga Khan Foundation therefore asked me to produce my training materials in the form of a Handbook and a linked Trainer’s Manual that would help citizens’ organisations in the South learn more about the different approaches to resource mobilisation. These were prepared in a “Beta” addition for the 3rd Biennial CIVICUS Global Conference in Manila in September 1999.

The Handbook is the book that you have in your hands: the Trainers Manual is available free to anyone who wants to use it at the web site: ………………….

How to Use this Handbook

This Handbook is produced by a practitioner in the field of promoting citizens organisations for social change, and is addressed to other practitioners who also work in this field. Examples of good (and sometimes bad) practice are taken from the experience of the author, augmented by the case studies of the CIVICUS book. The analytical framework (mostly expressed in Chapter 1) derives from the author’s experience and valuable inputs from Alan Fowler and David Bonbright.

The book introduces the reader into a variety of approaches to resource mobilization, suggests key areas to think about if the reader were to try such approaches with his/her own organisation, provides case studies of organizations from all over the world who have used such approaches, and suggests (at the end of the book) Further Reading where more information can be gained as well as Resource Organisations which can help further. The reader is assumed to be a person connected to the work of Civil Society Organisations (CSOs) in the South and East who is interested to know more about the financial self-reliance of such organisations. Experience has taught me that such people may vary from those for whom this is a completely new (and challenging) field who need to get a feel for the range of possible options: to those who have already accepted the need for financial self-reliance, and are looking for more information and ideas.

As mentioned before, the book arose from a training workshop. For those CSO Support Organisations who would like to use the material for a training workshop, there is a companion volume - The Trainer’s Manual - which provides a Facilitator’s guide to the text, a complete set of materials to turn into Overheads, a complete set of Handouts, and instructions for Exercises. This Trainer’s Manual is for a 4 day workshop which ends with time for participants to plan which of the approaches they will choose, and how they will plan to implement it. As mentioned before this is available on the web at …………….. I suggest that the Handbook is given to participants of the Training Workshop at the end of the Workshop as a record of the Workshop and as a reference book for the future.

I would be very happy to get feedback from anyone using the Handbook, or the Trainer’s Manual, via email. My email address is: ……………….
**Use of Terms**

**Civil Society Organisation**
The term Civil Society Organisation (and its acronym CSO) is used to refer to the organisations which are the target of this book. This is a positive descriptive term which states what we are talking about (as opposed to the negative term “Non-Government Organisation or NGO), and reflects increasingly common usage. I would like to stress, however, that this term does cause confusion in some quarters, because of the word “civil” – which refers to citizens and is not a normative term for “civilized” or “civil” meaning “polite”. Citizens, associating neither for power or profit, are the third sector of society, complementing government and business, and they are the people who constitute civil society organisations. The book is interested to promote greater use by citizens, working through CSOs, of the domestic citizens’ resource base, and less reliance on foreign funding.

*(Note, however, that the terminology may be different in the Case Studies, which are taken from other publications)*

**NGOs**
NGOs are a sub-set of the larger world of CSOs. While CSOs can encompass grass roots organisations, citizens movements, trade unions, cooperatives, and NGOs - and other ways in which citizens associate for non politically partisan and non-profit motives, NGOs refers to the formal registered public benefit development organizations which are often largely foreign funded. They do not have to be foreign funded (and this book advises them not to be), but at present that is their situation. The term “NGO” is used in the book when such organizations are being specifically differentiated from the larger field of CSOs.

**Southern**
The term “Southern” is used to mean coming from countries in the South and East - what are otherwise referred to as “developing countries” or “countries in transition”. CSOs in the North may find the materials useful as well, but the Handbook is directed intentionally at citizens’ organisations in the South – many of whom have become dangerously dependent on foreign funding.

**Resource Mobilisation**
This term is used to be more comprehensive than the usual “fund-raising”. “Fund-raising” suggests that someone else has funds and approaches need to be devised to access their funds. “Resource Mobilisation” includes two other concepts – firstly, that non-financial resources are also important: and secondly, that certain resources can be generated by the CSO (or by CSOs acting together) rather than accessed from other sources.
Acknowledgements
The other sources that I have used to expand and deepen the materials in the CIVICUS book (and whose value I gratefully acknowledge) are:

7. The many publications of the Program for Non-Profit Organisations of the Johns Hopkins Institute for Policy Studies, Baltimore, USA.

Apart from books, this publication has gained greatly from comments received by readers of the “Beta” edition. The Aga Khan Foundation earlier distributed a Beta edition and sought comments from experienced and knowledgeable people. Many of these comments, particularly from the International Fund-raising Group and South Asian Fund-Raising Group, are gratefully acknowledged and incorporated.

Thus, with permission of CIVICUS, and with thanks to Miklos Marschall, past Executive Secretary of CIVICUS, and Kumi Naidoo, present Executive Director of CIVICUS, this Handbook (and the companion Trainer’s Manual) is produced under contract to the Aga Khan Foundation and offered to all CSOs who have realized the urgent need for CSO financial sustainability and for less dependence on foreign donors—and are looking for materials to use. I hope that the materials in this Handbook prove to be useful, functional, realistic—and that they lead to large numbers of southern development CSOs diversifying their funding sources.

Richard Holloway
Indonesia 2000
# Contents

## PART ONE: SETTING THE SCENE

1. The Larger Picture ........................................................................................................... 3  
1.1. The Need for Resources ............................................................................................... 3  
1.2. The Characteristics of Southern Citizens’ Organisations ........................................... 4  
1.3. The Usual Pattern of CSO Financing .......................................................................... 5  
1.4. The Characteristics of Southern Citizens’ Organisations ........................................... 6  
1.5. What Do Citizens’ Organisations Need? ...................................................................... 6  
1.6. Why Not Just Rely on Foreign Funding? ....................................................................... 7  
1.7. A Statement of Belief .................................................................................................... 7  

## 2. Overview of Possibilities ............................................................................................ 9  
2.1. What Are the Alternatives? ........................................................................................... 9  
2.2. Accessing Existing Wealth from Public and Private Donors .................................. 9  
2.3. Generating New Wealth ............................................................................................. 10  
2.4. Capitalizing on Non-Financial Resources .................................................................. 10  

## PART TWO: WAYS OF MOBILISING RESOURCES

1. Revenue from Earned Income ........................................................................................ 25  
1.1. Being “Business-Like” ................................................................................................ 25  
1.2. The Non-Issue of “Non-Profit” .................................................................................. 25  
1.3. Different Ways of Earning Income ............................................................................ 26  

**CORR—The Jute Works** .............................................................................................. 27  
**Jairos Jiri Association** ................................................................................................ 28  
**PROSALUD—Self-Financing Health Services** ............................................................... 29  
**Pact: Health Insurance for NGOs** ............................................................................... 30  
**Yayasan Bina Swadaya** .............................................................................................. 31  
**Alternative Tourism** .................................................................................................. 31  
**Enterprises of the Zambian Red Cross and PROSHIKA Bangladesh** ......................... 33  
1.4. Issues to consider in SCO Revenue from Earned Income ....................................... 34  

2. Indigenous Foundations ................................................................................................. 38  
2.1. What are Foundations? ............................................................................................... 38  
2.2. Why are Foundations Created? ................................................................................ 39  
2.3. Accessing Foundations’ Wealth ............................................................................... 39  

**Fundacion para la Educacion Superior (FES), Colombia** ............................................. 40  
**Healthy City Foundation, Banska Bystrica, Slovakia** .................................................. 41
3. Individual Philanthropy................................................................. 43
  3.1. Who Do You Give to? ........................................................... 43
  3.2. Moving from Individuals to Organisations ................................. 43
  3.3. Knowing How and Whom to Ask ........................................... 44
  3.4. Non-Monetary Reasons for Supporting Individual Philanthropy ....... 46
  3.5. The Enabling Environment .................................................. 46
  3.6. Methods of Individual Fund-Raising ...................................... 47
  3.7. Best Practices ...................................................................... 49
  HelpAge, India ........................................................................... 49
  Al Amal Center for Cancer Care, Jordan ........................................ 50

4. Building Grass-Roots Organisations ............................................. 52
  4.1. What are Grass-Roots Organisations? ..................................... 52
  4.2. How Can GROs Mobilize Resources? ...................................... 54
  4.3. Federations .......................................................................... 54
  Jardim Shangri-La, Brazil ............................................................. 55
  Credit Unions in Lesotho ............................................................. 56

5. Resources from Government ......................................................... 58
  5.1. Complicated Relations ............................................................ 58
  5.2. Ways of Working Together .................................................... 58
  5.3. Constraints to Working Together ............................................ 60
  5.4. Benefits and Disadvantages of Government-SCO Collaboration .. 61
  5.5. Working Relations ............................................................... 63
  5.6. Legitimate Questions by Government of SCOs ......................... 64
  5.7. What is Government Responsibility? .................................... 64
  5.8. Non-Financial Resources from Government .............................. 64
  Local Cooperation in Gdynia, Poland ............................................ 65
  Medical Assistance Programme, YMCA Lebanon .......................... 66

6. Resources for Sustainability from Foreign Development Agencies ................................................. 69
  6.1. Foreign Funding for Organisational Self-Reliance ...................... 69
  6.2. Financing Fund-Raising Strategies ...................................... 70
  6.3. Providing Venture Capital Funding ...................................... 71
  6.4. Building Reserve Funds ....................................................... 72
  6.5. Endowments ...................................................................... 74
  6.6. Comparison between Grant Funding and Endowment Funding .... 75
  6.7. Non-Financial Resources ..................................................... 76
  Organisation of Rural Associations for Progress (ORAP), Zimbabwe .... 76

7. Resources from the Corporate Sector .......................................... 80
  7.1. Why do Businesses Give to Citizens’ Organisations?................. 80
  7.2. WIIFM (What’s In It For Me?) .............................................. 81
  7.3. Research in the South ......................................................... 82
8. Building Reserve Funds
8.1. Reserve or “Corpus” Funds
8.2. Endowments
8.3. Comparing Grant Funding and Endowment Funding
The Foundation for the Philippines Environment .............................................. 77

9. Conversion of Debt .................................................................................. 90
9.1. Background to National Debt ................................................................. 90
9.2. Repaying Hard Currency Debt in Local Currency at a Discount ........... 90
9.3. Difficulties and Complexities ................................................................. 92
Foundation for a Sustainable Society Inc., Philippines .................................. 92
Environmental Foundation of Jamaica ............................................................ 94

10. Micro-Credit Programmes ................................................................. 96
10.1. Credit for the Borrower, Income for the SCO ..................................... 96
10.2. Going Beyond Linked Savings and Credit ........................................... 97
10.3. Key Issues ............................................................................................ 97
10.4. Bank Guarantees .................................................................................. 98
Shri Mahila Sewa Sahakari Bank, India ............................................................ 99
Kenya Rural Enterprise Programme ............................................................. 100

11. Social Investment .................................................................................. 103
11.1. What is Social Investment? ................................................................. 103
11.2. Social Investment Organisations ......................................................... 103
Tabora Beekeepers, Tanzania and Shared Interest, UK .............................. 104
The Hivos-Triodos Fund .............................................................................. 104

12. Internet Fund-raising
12.1. Who uses the Internet?
12.2. Making your organisation known
12.3. Moving from a donation to a subscription

PART THREE: DECIDING WHICH WAY TO GO

1. Strategic Planning,
2. Donor Education
3. Citizens’ Initiative
Attachments

Further Reading
1.1. Setting the Scene
1.2. Revenue from Earned Income
1.3. Indigenous Foundations
1.4. Individual Philanthropy
1.5. Resources and Grass Roots Organisations
1.6. Resources from Government
1.7. Resource for Sustainability from Foreign Development Organisations
1.8. Resources from the Corporate Sector
1.9. Building Reserve Funds
1.10. Conversion of Debt
1.11. Micro-credit Programmes
1.12. Social Investment
1.13. Internet Fund-raising

2. Resource Organisations
2.1. Setting the Scene
2.2. Revenue from Earned Income
2.3. Indigenous Foundations
2.4. Individual Philanthropy
2.5. Resources and Grass Roots Organisations
2.6. Resources from Government
2.7. Resource for Sustainability from Foreign Development Organisations
2.8. Resources from the Corporate Sector
2.9. Building Reserve Funds
2.10. Conversion of Debt
2.11. Micro-credit Programmes
2.12. Social Investment
2.13. Internet Fund-raising
PART ONE: SETTING THE SCENE
1. THE LARGER PICTURE

As many commentators on civil society have written, it makes a lot of sense to think of society in three basic sectors—the state, the business and the citizen sectors. The state’s distinctive competence is the legitimate use of coercion; the business sector’s competence is market exchange; and the citizen sector’s competence is private choice for the public good. Citizens are mobilised through values that they share with other citizens and through shared commitment to action with other citizens.

Civil society is the dynamic equilibrium relationship amongst these three actors. As Salamon and Anheier have put it, “[A] true ‘civil society’ is not one where one or the other of these sectors is in the ascendance, but rather one in which there are three or more distinct sectors - government, business and nonprofit - that nevertheless find ways to work together in responding to public needs. So conceived, the term “civil society” would not apply to a particular sector, but to a relationship among the sectors, one in which a high level of cooperation and mutual support prevailed.”

The citizen sector becomes operational through citizens organizing themselves for action for the common good. These citizens’ organisations will be the stronger if they address social problems together with government and business—and the most effective citizens’ organisations will be those that have a strong base in many different kinds of citizens in their country choosing to support them in different ways - citizens working in government, citizens working in business, and citizens sharing values and commitments to action with other citizens.

This Handbook sets out to do two things—to change the way that citizens’ organisations think; and to provide tools that citizens’ organisations can use in mobilising (mostly) domestic resources. The book is also interested in foreign resources which build self-reliance and sustainability. This challenges the prevailing orthodoxy of the aid system which creates more and more dependency on foreign resources, and which ignores the need for a citizen’s resource base.

This Handbook is based on the following beliefs:

- The existing pattern of support for citizens’ organisations in the South, which is largely based on foreign funding, is not sustainable.
- A variety of domestic resources are potentially available to southern citizens’ organisations, but have not been adequately researched, attempted, or mainstreamed by them.
- Local or domestic support, expressed through local funding, is fundamentally important for the long term sustainability of citizens’ organisations and their programmes.
For these reasons it is important for southern citizens’ organisations to learn more about the different strategies for resource mobilisation that are available to them.

This Handbook will introduce you to 12 different approaches for resource mobilization, each of which will have its own rationale, and each of which will have its own advantages and disadvantages. Using these different approaches will not only change where your money is coming from, but may also change the way that your CSO operates. The advantages and disadvantages may appeal to your organisation in different ways.

1.1. The Need for Resources
Citizens’ Organisations need resources (a) so that they can be effective, and (b) so that they can be sustainable. As organisations look for strategies to mobilize resources, they should be guided by these two important principles - and assess the various possible alternatives from these two standpoints.

The place to start with any CSO or group of CSOs is where they are at present. To set the scene for new ideas in resource mobilisation, each CSO should look at, and list, its present resources. Then, for each one, it should give its origin, and its advantages and its disadvantages from the point of view of effectiveness and sustainability. The result of this exercise is likely to show the CSO that it is relying on a very restricted number of resources, that most of these are grants from Northern donors, and that many of the grants have disadvantages of different kinds from the perspective of effectiveness and sustainability. The main advantage of such grants, on the other hand, is that they are available, that such funds are indeed offered and that they are usable by the CSO community. Because they exist, SCOs have become accustomed to such grants as the norm. Other forms of resource mobilization seem strange - and it is assumed that they are difficult because they are unfamiliar.

The other result of this exercise, particularly when practised with a large group of different CSOs, is that it will throw up a number of different experiences beyond grants from northern donors. These experiences will probably be of less importance financially than the foreign grants, but will allow participants to appreciate the range of other possibilities that exist, and allow inter-organisational learning based on actual experience.

Resources, particularly money, are not value neutral or value free. They bring certain baggage with them depending on their origin and culture. Some CSOs will have strong reactions to some kinds of resources (like, for instance, resource from the corporate community), but will accept the possibility of resources from individuals. Other CSOs will start from different perspectives. The important point at present is to be open to a range of possibilities and to suspend critical judgement until you have understood them better.
The CSO world is very likely to change. Some of these changes are already taking place—particularly the drying up of funds from northern NGOs. 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 organisation in the future
- They are felt to have disadvantages that outweigh their advantages
- They seem less attractive in relation to some other resources.

1.2. The Characteristics of Citizens’ Organisations

This Handbook is based upon the premise that there is a continuing need for effective, ethical, committed and sustained CSOs - whose main purpose is to improve the situation of the poorest and most disadvantaged people in the South. It is taken as a given that CSOs can do things which neither of the other national development actors - the government and the corporate sector- can do on their own. If this premise is accepted then it is obvious that CSOs need resources to allow them to have impact in their chosen field of work—and sustain them so that they can continue to have such impact. The question is which resources and how they can be acquired.

While most CSOs indeed have as their purpose the improvement in the lives of the poorest and most disadvantaged, there are increasing numbers of “pretender” organisations who call themselves by the name of CSOs, but whose purpose is different. Such organisations are created for personal income or private interests - or as a front for Governments or Businesses. Precisely because the CSO world is being challenged by such pretenders, and because such “bad apples” can spoil the reputation of the citizen sector as a whole, it is valuable to re-iterate the most important characteristics of a citizens’ organisation before we look at what such CSOs need, and how such needs can be met.

Citizens’ organisations created to work on development issues, both North and South:

- are driven by values that reflect a desire to improve people’s lives
- contain elements of voluntarism (i.e. 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 (i.e. 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 a strong and accepted identity in the culture and tradition of the country.
1.3. What Do Citizens’ Organisations Need?
What do such organisations need in order to be effective and sustainable? There are five basic requirements:

1. The first requirement is **good programmes**. This means programmes that actually do improve peoples lives and can be shown to do so—as opposed to programmes that claim to do so, but which actually have not had the impact desired.

2. The second requirement is **good management** which will make sure that any resources are efficiently put to the service of the good programmes. Good management also means a proactive practice of performance accountability, including rigorous public reporting.

3. The third requirement is a **commitment to sustainability**. CSOs need to appreciate that their mission is unlikely to be achieved quickly and that they need to be involved over the long haul. CSOs need to be marathon runners rather than sprinters.

4. The fourth requirement is the **financial resources** to support the good programmes, the good management and the sustainability mentioned above.

5. The fifth requirement is **local support**. This includes:
   - a supportive political, legal, and fiscal environment in which they are allowed to exist and flourish;
   - good human resources to work for the NGO;
   - a good reputation built up on the credibility they have acquired from their good programmes,
   - supporters from a variety of different sources (local development agencies, national governments, specific groupings in society, the general public)
   - and, specifically, well placed champions who can defend them when they are under attack, and promote them when they have something to offer.

1.4. The Present Pattern of CSO Resources
Before looking at the different ways of mobilizing resources that may (or may not) suit your organisation’s circumstances, it is useful to get an overview of the ways that resources come to CSOs in the world. Please see the diagram on the following page which illustrates how both Northern and Southern CSOs receive their funding.

In the South, CSOs can expect the possibility of resources from the following:

a. **Northern Governments**
   - directly as bilateral assistance
   - indirectly as multi-lateral assistance
• via Northern NGOs
• via their own governments as bilateral assistance relayed to CSOs

b. Northern NGOs directly
c. The Market
• from businesses
• from NGO enterprises (including investments)

d. Citizens
• directly as gifts
• indirectly as support
Research done by the John Hopkins Institute for Policy Studies in a number of countries in the North suggests that the greatest flow of resources for northern NGOs comes from Government, followed by the market, followed by the gift economy. This reflects the pattern of Government contracting of NGOs to supplement their work for them, and the large number of Northern NGOs (particularly foundations) who have large investments.

The same Institute of Policy Studies has done some research in a limited number of southern countries. It is clear that that largest amount of resources available for CSOs is from northern NGOs, and increasingly from Northern governments directly. All the other sources of support are, however, potentially available to CSOs, even if, at the present, they have not availed themselves of them. It is useful to think how CSOs could construct their own unique mixture of Government, Market, and Citizen support to help their work. Think of the resources that come into your own organisation, or an organisation that you know, in the terms described above, and think of these both in terms of financial and non-financial resources.

1.5. The Existing Pattern of Resources for NGOs
At present it is likely that NGOs, that large sub-set of CSOs, are dependent on one or two kinds of resources at most. The greatest dependence is very likely to be on foreign grants, and it is likely that the funds which make up these grants come from northern NGOs or from northern bilateral donors. The grants most likely come in the form of projects – i.e. time limited, fixed budget funding for carefully defined activities. The diagram on the next page gives a visual picture of the situation experienced by many NGOs. It illustrates:

- A NGO with only two sources of funding – foreign project funding, and local fund-raising
- A NGO whose dependence on foreign funding increases over time, and the proportion of whose local funding while it remains steady in absolute terms, decreases relative to foreign funding: it may even decrease in absolute terms.
- A NGO dependent on and vulnerable to time limited project funding which brings it back to zero after each project grant is expended.

Such dependence is not new for NGOs, but because the amount of grant money that is being offered by northern donors has increased greatly during the 1990s, the dependence is getting greater and more widespread. At the same time some types of foreign funding, particularly funding by northern NGOs, has been decreasing—and NGOs are vividly aware of their vulnerability on a few funding sources. From time to time total amounts of foreign funding available to NGOs in a particular country may increase for a while – due to a disaster, or a move towards policies cherished by foreign donors, but the trend, on average, is down.
Many NGOs have been shaken into awareness of how precarious their situation is. For a long time NGOs assumed that they would continue to be funded from northern sources *ad infinitum*; indeed, for some new CSOs, they defined themselves as NGOs and foreign funding was what defined them as NGOs—to themselves, to the government, and to the public. While, it is true, many NGOs have frequently complained about the limitations and frustrations of relying on northern donors, not many have decided to do without them, or find alternatives to them.

While foreign funding is becoming more precarious, there are a few situations where the opposite is happening. Where large NGOs can help donors to disburse large amounts of money in ways that are administratively convenient to them, then Northern donors actively seek them.

Dealing with northern donors has become part of the learned experience and knowledge base for NGOs. They have learned which donors do what, how they want proposals written, what words of what development fashion are important to whom, and how to deal with the occasional donor visits. The care and maintenance of northern donors has become an important skill for those who
work for NGOs. It is expected that NGOs will be supported by funding from foreign countries.

Let us look, by analogy, at the situation of citizens’ organisations in the North when they first started, and were working on very similar subjects as the present citizens’ organisations in the South e.g. child rights, cooperatives, environmental health, women’s rights, the care and welfare of those marginalized and forgotten by society. There was no foreign source of funds for such organisations as Dr. Barnardo’s, the early Friendly Societies and Cooperatives, the Anti-Slavery Society, or the Votes for Women organisations, when they were first starting. If there had been, they might have developed very differently. Instead they relied on building society’s awareness of the problems they identified, seeking contributions from well-wishers, building up their financial assets, and trying to change injurious government and business policies.

By contrast many CSOs in the South have been nurtured from birth by funds from northern sources, often to the exclusion of funds from any other source. They are very dependent on such sources, and if the funds from such sources dry up, they are left very vulnerable to closure. Very few of these northern resources to Southern CSOs have been in the form of financial investments which built long term financial strength - they have nearly always been time limited funding for specific projects - which cease once the project is over. In addition to this the northern funds have often been made available with a number of conditions. Some of these conditions have been unhelpful and distracting from the main task of the CSOs.

1.6. Why Not Just Rely on Foreign Funding?
The first four of the requirements mentioned in Section 1.3. above (good programmes, good management, commitment to sustainability, financial resources) may be met by foreign funding, given helpful and serious foreign donors, but there are strong reasons why foreign funding cannot help you with the fifth (local support) which is essential for an organisation’s long term sustainability.

Some of these reasons are:

1. Foreign funding does not build local support for your work nor does it build local supporters. So long as you are seen as being supported by foreign funds, local people will not feel the need to help you with funds or other kinds of support. They will assume that you have money from overseas, and that you can buy whatever you need. Moving people from that pre-conception to one in which they feel that your worthwhile work is worth their support, is very difficult.

2. Foreign funding makes you politically vulnerable to accusations that you are only doing the work because you are paid to do so, or because you are obeying the instructions of some foreign power which may have some
concealed motives to the detriment of your country. Development is a political process, and foreign funding provides ammunition to detractors—especially those in government—that you are being used politically by foreigners.

2. Foreign funding throws into sharp contrast the very basic contradiction that development CSOs promote and urge self-reliance amongst the groups that they work with, but do not themselves practice what they preach. If self-reliance is an important aspect of development, then the development CSOs should pay as much attention to it as the people they work with.

1.7. A Statement of Belief

As CSOs look hard at the questions involved in resource mobilisation, and accept that there are alternatives to the approaches that they have been practicing to date, a leap of faith is required. CSOs need to be convinced that, if they wean themselves from foreign funding, support of some other kind will be possible, and that they will be able to mobilize the resources they need to do the work they think needs doing.

The credo is that:

If southern citizens’ organisations pursue a mission and perform functions that are valuable to society, if they communicate this well to the public, business and government, and if they undertake well thought out efforts to obtain the resources needed to perform these functions, then, in most circumstances, such resources will be available.

CSOs have to think this concept through, given their knowledge of their own societies, and given their assessment of their own abilities to make strategic changes in their ways of operating. The examples given in this Handbook will, hopefully, add to their thinking, and enable them to accept that article of faith. Specific ways to implement the credo which fit their strategic analysis of themselves and their society are the subject of Part Three of this Handbook.

Part of this strategic analysis will mean considering the risks to their organisations of pursuing an alternative financing approach: will they be diverted from their mission? Will they be able to acquire the management skills necessary? Are they prepared for the increased accountability and transparency to the public? Another part will mean considering the benefits of being supported by your own efforts or by your countrymen and women—mobilizing mass support for improved policies and practices: educating the people about the real situation and the ways to solve it: attracting large volunteer commitment and contributions to your work.

This credo, of course, does not suppose that all CSOs will continue to be supported in the manner to which they have become accustomed. Many CSOs do not perform functions that are valuable to society, and many of them are not competent at mobilizing resources. Many NGOs have been artificially sustained
by foreign funding which they have not used well, and probably did not deserve
to have in the first place. Readers probably have many examples of unhelpful
CSOs.

Let us be clear that many NGOs will not continue to exist in the future. Many
people involved with the citizen sector will not cry on this account since the
mushrooming growth of NGOs over the last 10 years has spawned many of
doubtful value and quality which society will hardly miss. This is not to say that
there are enough CSOs to respond to the existing need. There is a huge need for
more active citizen participation in public benefit activities - and this should
translate into more citizens’ organisations. The credo is, however, that if you do
good work, and if you are competent at requesting support for your good works,
you will likely be supported by the resources of your own country - with such
support perhaps supplemented by foreign funding, but in no way dependent on it.
OVERVIEW OF POSSIBILITIES

2.1. What Are the Alternatives?
Conceptually there are three categories of ways to mobilize resources. These are:

- **Accessing existing wealth** *(from private and public sources).* There is wealth out there—with individuals, institutions, governments, businesses, and the name of the game is persuading them to give it to your organisation.
- **Generating New Wealth** *(through market based approaches).* It is possible for your organisation to generate wealth through using the market in one way or another.
- **Capitalizing on Non-Financial Resources**. With local support, good will, and a good reputation, many people will be prepared to gift time and goods to your organization.

Let us look at these categories one by one:

2.2. Accessing Existing Wealth from Public and Private Donors
Before looking at the individual strategies for capturing existing wealth, it is important to reflect on how this might be different from what CSOs are doing at the present:

Capturing existing wealth is basically what NGOs have been doing up to now. They have been applying for the wealth of (specifically) northern NGOs and northern governments, and trying to capture it for their own purposes. There has been much talk of partnership in the relations between NGOs and northern donors, but to varying degrees of mutual respect and mutual inter-dependence, funding relations basically obey the Golden Rule—those who have the gold, make the rules.

There has been much posturing around the central point that northern donors would like to have their funds used in certain ways and for certain purposes as they determine, and CSOs would like to use the northern donors funds in ways that they determine. Where those interests and purposes coincide, real partnership can occur - but it is increasingly becoming a world where northern donors are only prepared to contract CSOs to do what the northern donors have decided needs doing.

The present situation is that:
There is a decreasing pool of Northern resources
There is increasing competition for such resources (both between CSOs and, where such funds originate with bilateral donors, between CSOs and Northern NGOs)
The present practice has given us a legacy of dependency in which CSOs make their applications and wait for northern donors to agree or disagree. The decisions are not made locally, and are not under local control.

In the future, we need to shift our ways of relating to existing sources of wealth—both northern and southern: new thinking is required. We look towards a future where:

- There will be strategic joint ventures between CSOs and sources of existing wealth (whatever they be) in which both sides plan together for mutual benefit and both sides win, rather than the South being dependent on the North.
- There will be increasing attempts to build institutional sustainability so that CSOs, after capturing some of the existing wealth, build up their own wealth, rather than have to keep trying to capture wealth, time after time.
- Philosophies and practice of partnership will become common in which all contributors think through what needs to be done and what their various comparative advantages are. Various parties’ needs for resources, and access to the existing wealth will be more transparent, involve more local decision making, and will give mutual benefit for all parties, rather than CSOs trying to find the right code which will unlock the wealthy organisations’ or individuals’ safe.

The following are suggestions of the resources can be mobilized through Accessing Existing Wealth:

1. Indigenous Foundations
2. Individual Philanthropy
3. Grass-roots Citizens’ Organizations
4. Government
5. Foreign Development Agencies
6. Businesses

2.3. Generating New Wealth
Coupled with the acceptance that CSOs will always operate through acquiring wealth from others, has been the reluctance on the part of CSOs to generate wealth themselves. CSOs have often been involved in helping others to generate wealth for themselves - as in vocational training, small-scale credit, entrepreneurship training etc., - but they have not often seen that they also have the opportunity to generate wealth for their own organisation.

In some cases they have not known how to do it, in other cases they worry that such endeavours and enterprises will take them away from their own mission,
and in some cases they have felt a distaste for the world of business, and have not wanted to enter that world.

There are, however, plenty of examples where CSOs have been able to generate money both through enterprises linked to their mission, and enterprises entered into purely as a source of revenue. Providing they have been clear why they are doing it, what human resources are needed, and how it should be managed, many CSOs have found income through enterprises.

The following are suggestions of the resources can be mobilized through Generating New Wealth:
1. Production and Trade
2. Conversion of Debt
3. Establishing and Operating Micro-credit Programmes
4. Tapping Social Investment
5. Building Reserve Funds
6. Using the Internet

2.4. Capitalizing on Non-Financial Resources
This category is a cross-cutting theme which runs through all the ways of accessing existing wealth, or generating new wealth. Whichever way of mobilising resources that you decide to use, always remember that there are some relevant non-financial resources which can be tapped. The ways of mobilising non-financial resources include:

- 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 Organisations
- Champions

Since these ideas are cross-cutting and will not be dealt with separately in the chapters which deal with each particular approach to mobilising resources, it is useful to spend some time on them here.

Volunteer Time
“Elements of voluntarism” is one of the fundamental characteristics of CSOs (see section 1.2). In most CSOs this breaks down into:

- free time being given by the Board of Governors (also called Trustees,
Executive Committee etc. depending on what legal form is employed in your country)

- free labour and discussion time being given by beneficiaries of the CSOs programmes, often in the name of participation.

Volunteer Time is more than just this: it means supporters of the work of your organisation offering to give their time and expertise freely for the good of your organisation. Depending on their abilities, this can involve a great variety of ways in which they can help your organisation.

Of all the tasks that need to be done to keep your organisation moving, many of them can be done by people who are not professionally trained to do the main work of your organisation, whatever it is. Such work may be on the administrative side (typing, filing, mailing), on the fund-raising side (organising events, collecting funds, building up membership) or in a variety of fields where general work needs to be done (driving, phoning, message taking).

Identifying people who have time and are willing to give it to your organisation is not always easy—particularly when most people are short of money and need to be paid. Sometimes people find your organisation and offer to help because of the reputation of your organisation. Working out the ground rules between paid staff and volunteer staff is an important aspect of managing volunteers.

Volunteers provide their services free - and for this reason their contribution to your organisation is sometimes undervalued by those managing CSOs. Volunteers have needs as well - and the good CSO manager takes time to learn these needs and to care for and maintain their commitment.

**Volunteer Skilled Labour**

This refers to skilled people who are willing to make a small contribution of their time and skills to help your organisation (to help with the book-keeping, to service/repair the vehicle, to write a brochure, to produce architects plans for a building, to install a solar water heater, or a hundred other things where you need professional skills). Again such people will be willing to give their services free if they admire and value the work that you are doing and you can show them a way in which they can contribute without too high a cost to themselves.

Another factor is that people will be willing to give your organisation their time freely if they believe you need it. If they believe that your organisation has plenty of money and can pay for their services, they will not be too enthusiastic to give their time free.

**Goods and Materials**

This involves both second hand materials and equipment (like computers, printers, furniture when a business office is replacing existing stock with new) and also gifts in kind (like paper, paint, engine oil, food, or anything else which
your organisation regularly or occasionally needs). Firms, in particular, can be persuaded more easily to help with something that they deal in, at less cost to themselves, than asking them to help by donating money. Again it is important to have a good reputation, but also to let it be known that you are interested in receiving second hand goods. Always be ready to acknowledge your giver publicly so that they get the recognition and publicity they deserve.

**Experience**
Organisations could benefit from people who have experienced some of the problems and possibilities that you are facing in your organisation, and who are prepared to give you the benefit of their experience. Lawyers, probation officers, auditors, salesmen, public relations officers, media people and many others might be able to give you extremely valuable advice at certain times that you need it, if they are motivated to help your organisation, and are aware that you would be interested in receiving their help.

**Seconded Professional Personnel**
One possibility worth pursuing is talking to existing firms and asking them if they are prepared to second staff to your organisation for a while. Such people would work for your organisation, but be paid by their original employer, and keep their position in the original firm. Depending on the work that your organisation does, this might fit the firm’s need to broaden the experience of young managers, or it might more fit the need to find work for older employees near retirement. Some firms see such secondments as their philanthropic duty - particularly if the head of the firm has a religious background in which notions of duty to society play a large part. To have a professional accountant working for your organisation, or a farm manager - even if it was only for a few months, can be a tremendous help. If your organisation was, for instance, mounting a fund-raising drive, or an income generating business, a seconded professional could be invaluable.

A different category of personnel comes from the academic community. It is entirely possible that the work your CSO is doing will be of interest (or can be made of interest) to academics interested in that field of work. Such academics can study your organisation, can provide you with data and insights, and can be involved in “participatory action research” i.e. research carried out with clients or beneficiaries of your CSO which leads to further action.

**Training**
Here the possibilities are of outsiders coming to train your staff, or your staff being able to undergo some training outside your organization - both being provided by some organisation or person free of cost. This could have a tremendous effect on your staff’s morale, and be something which you could never afford to pay for.
Access to Public Policy Fora
Sometimes your organisation's work would be enormously enhanced if you could get certain policies or practices changed - possibly government policies (local or national), possibly local business practices - but you cannot get yourself into the circles where such matters get discussed, and such decisions made. Strategically placed people who are well-disposed towards your organisation can introduce you to, for instance, the land allocation board, the juvenile court, the agricultural extension services, the District Officer, senior government and corporate personnel, politicians and, at least, allow you to present your case in the place where important decisions get made. This may also mean international policy fora where international agreements on fishing, or drug use are discussed.

This can be one of the most important long term voluntary gifts that a person can make to your organisation, but is not generally thought of as “volunteering”.

Access to Services Provided for Non-Profit Organisations
In some countries, particular services are provided free for non-profit organisations, and your CSO may be able to access them. This could be space for public service announcements on the radio or television, free advertisements in the media, certain occupations or products reserved for clients of CSOs, tax concessions, free listing in the phone books etc. This often requires research to discover what services are offered.

Champions
A variant on someone who can get you access to public policy fora is someone of position, reputation, and authority who can champion your organisation, speak for it, endorse it when necessary, and perhaps most of all, defend it when it is in trouble. Relations between CSOs and the State are often tricky in many countries, and to have a “godfather” (or “godmother”) who is highly placed and who can vouch for the *bona fides* of your organisation and its purpose, can be very valuable (even life saving in some circumstances - either for the staff or the beneficiaries of your organisation).

Apart from a politically well positioned “godfather/mother”, the support of a publicly known celebrity can be very beneficial to your CSO. It will likely get your CSO known, but there is the problem of the celebrity’s celebrity waning! Whatever other fund-raising or income generation strategies that you employ, always think of ways of ways to acquire peoples’ time or peoples’ gifts of goods beyond money. Make it your practice to stop and think what goods and services could help your work, and then draw up a strategy to access them through some form of donation which will supplement your other resource mobilization strategies.
3. WHY SHOULD ANYONE HELP A SOUTHERN CITIZENS’ ORGANISATION?

The purpose of this Handbook is to widen the range of options that a CSO considers when trying to mobilize resources, and, in most cases, this means widening it in the direction of domestic resources. NGOs are, for the most part, experienced in the world of foreign financing of local organisations, and know something of the complex reasoning why foreign organisation “x” should support local organisation “y”, but what is new terrain for both NGOs and the larger field of CSOs is attracting support of your own countrymen and women.

What is a new challenge for most CSOs when they think of mobilizing a wider range of resources, is working out why a citizen or a business or a government in your own country might support the work of your organisation. This requires thinking about the psychology and the culture of your country and the giving behaviour of its people.

In many cases, giving is traditionally linked to religion - of whatever kind. All major religions have institutionalized charitable behaviour and have praised and recognized charitable giving as admirable and worthwhile behaviour. Part of the work that needs to be done is to expand people’s horizons of charitable giving so that it moves from the personal to the organisational.

3.1. Some Possible Reasons
3.2.
Let us look at some of the reasons why people in your own country might give money to a citizens’ organisation.

Because it is doing good work
Here a potential donor moves into becoming an actual donor because he or she thinks that your organisation is doing good and worthwhile work that should be supported. Such topics as helping the disabled, helping children, helping the aged are topics that most people would consider worth supporting, but, depending on how you present yourself, and who you present yourself to, your organisation may well find people who think that working with AIDS sufferers, with the illiterate, with homeless people is the kind of good work that they would like to support.
Because it is doing good work more effectively than others
Here it is assumed that there are a number of different organisations which are working in the same field, but that your organisation has shown itself as being more effective than others. Since people or organisations which are giving money are generally interested in seeing value for their money, then a more effective organisation is likely to attract donors more than one which does not seem so effective - even if they are both working on the same topic.

Because it is honest and responsible
This deals with an organisation whose reputation as an honest and responsible organisation is the selling point for that organisation. Potential donors assume that they are doing good work, although they may not know very much about what they are actually doing. Their reputation and their image is the aspect of them that persuades people or organisations to give.

Because it is attractive and persuasive
This refers to an organisation that is very clever in “selling” itself, or its cause to the public, or to a potential donor organisation. Its advertisements of itself and its work are snappy, bright, eye-catching, fashionable, and persuasive. The cause that it is promoting is obviously part of the persuasion, but what persuades the potential to become an actual donor is the attractive and persuasive way in which the ideas or the organisation is communicated.

Because it appeals to a particular interest in a potential donor
Here the organisation has targeted its appeal to a particular group or a particular section of the population where they expect there will be interest and sympathy for that organisation’s cause. If you are seeking funding for AIDS sufferers, then there is a good chance that people who have gone through the experience of having a relative die of AIDS, or people who have AIDS, would be willing to support your work. If you are seeking funding for working with cancer victims, then it is likely that those who have had the experience of a member of their family dying of cancer will be interested in helping. The skill lies not just in deciding who may be sympathetic to your cause, but finding them and making the appeal. This can apply more widely than the causes mentioned above. A business which suffers from the extra costs involved in making corrupt payments may well be interested in supporting work to fight corruption.

Because it is potentially useful to a potential donor
This refers to an organisation which makes an appeal that others can see as having some advantage for themselves. Banks may well consider that micro-finance programmes are useful to them because today’s recipient of micro-credit may well become tomorrow’s bank customer- and thus fund micro-credit activities. A business wanting to break into a new market, or a new country may well want to support something in that new country that will show it to be a public spirited organisation. A government may well want to show itself on the international stage as doing something in a particular field (e.g. slum re-housing,
or bio-diversity, or environmental conservation) and your organisation may offer them that chance. Your organisation thus may well be able to offer a potential donor a chance to help themselves—and from this appreciation both parties can benefit.

Another spin-off this approach of enlightened self-interest is that the commercial firm, or government may well learn about the social problems and issues of society through their association with your SCO, and become an advocate on your behalf—as well as a possible donor.

**Because they are asked**
This may seem very obvious, but opinion polls conducted by fund-raising agencies have consistently shown that the reason why people and organisations have not given to a particular cause or organisation is that *they have not been asked*. If you do not ask, you do not know if people or organisations will respond. In many cases people are concerned about a particular issue, like, for instance, AIDS orphans or street children, or drug addicts, or prostitutes, but do not know how to make a contribution that will make a difference. Your organisation may well offer them such a chance, and they will respond favourably because they have been looking for such a chance, but nobody had asked them previously. You do not know who will be your supporter unless you start asking, and you may well be surprised.

**Because it has no other source of funds and may collapse**
This is obviously not a strategy that can be used frequently or people will assume that your organisation is very badly managed, but urgency and sense of crisis is sometimes a persuasive argument in fund-raising.

Although these arguments have been listed separately, they are very much interwoven. A person who is inclined to support a programme fighting alcoholism because his/her uncle was alcoholic will not support your organisation, even if it is working in this field, if he/she does not think your organisation is well managed and effective. A potential donor who is entranced by your persuasive and attractive advertising may well not contribute if the cause you represent (e.g. birth control) is against his/her religious convictions.

The purpose of this section is to help you to realize that the arguments you advance to foreign donors for support of your organisation and your programmes and projects may need to be re-worked and re-assessed when the target for funding is a local business, a local government or local people.

### 3.2. Communicating to Ordinary Citizens

When you are dealing with people in your own country, and your donor (or potential donor) is Mrs. Phiri (e.g. an individual) or Abu Bakr Cement Company (e.g. a firm), or the Ministry of Community Development (e.g. a government
department), or the Brightwell Foundation (e.g. a local foundation) - please substitute here names from your country - there is a different psychological dynamic from when you are dealing with foreign funding agencies like OXFAM or NORAD, or UNDP or the World Bank.

Apart from the content of the language, it is very common for CSOs to talk to their donors in English, or whatever is the language of the donors. It is also very common for CSOs to give themselves English names (or names in the language of the donors). Not only do CSOs need to learn to communicate in words and phrases that ordinary people of their country can understand: they may also need to learn to communicate their work in the vernacular of their country (which most people understand) rather than English.

The name of your organization is fundamentally important. Does the name actually tell us what you do? Can everyone understand it easily? What language is it in? Do you think that it needs to be changed to appeal to national, as opposed to international people?

When the most common way of being funded is foreign donors, CSOs need to learn the elements of this language, and be able to use it. If CSOs are trying to raise funds or mobilize resources from people who are not part of this circle, they will need to learn how to speak in the speech of ordinary people. They will need to learn how to communicate what they do (and what they want support for) in the language that people understand.

Those involved in the development business will recognize that the field of development has developed its own jargon, its own “insider” language, and its own short hand for communicating between professionals in the field. Certain key words or phrases like “empower” or “stakeholder” or “beneficiary” have become common currency in a language that is shared between development financiers and development practitioners, but are not in common usage amongst the public.

The most important statement about your organisation—the one that will not only provide the essence of your identity and your purpose—but will also be the one that has greatest currency in your country, is the Mission Statement. Most CSOs have appreciated the need for a Mission Statement as a short, informative statement of what their organisation does (and thus, by implication, what it does not do). It is an important exercise to write it down and look at it in the context of this new audience.

A clear mission is very important for a CSO on many levels: it is important because it shows clear thinking in the organization, and it is important to communicate that to others.

1. The Mission is something which is created by the organisation and by the constituency that the organisation represents—it is their product and the
statement of their purpose for the organisation’s existence. This is the organisation’s reason for being – and which needs to be communicated to potential supporters

2. The Mission is the way that the organisation focusses and mobilizes its resources—human, organisational, and financial. By that statement all concerned with the organization know the purpose for which they are working, they are organising, and they are seeking funds

3. It is the compass against which you plot your forward journey, and your requirements for funding. You are requesting or creating funds so that they fit and advance the Mission: you are not creating the Mission to fit the funds that are available.

After you have worked on your Mission Statement, ask others if it communicates clearly to them what your organisation does. Ask someone completely outside the development business what it means to him/her. Does it communicate well? Can you translate it into the vernacular of your country, or your region? Is that possible without many changes? If you translate the vernacular version back into English (or your “colonial” language) what does it look like? Is it very different from the original Mission Statement?

The chances are that your Mission Statement is not something that can easily be understood by the man or woman in the street, or on the footpath. If you are hoping to appeal to them, you may well need to re-think your Mission in terms that they can understand.

Is it possible for you to produce a one line slogan for your organisation that tries to encapsulate its essence in an even more condensed form? Try and create a slogan or phrase for your organisation which grasps its essence, like an advertising slogan (e.g DHL: “we carry out your promises”; Daily Post: “the paper that digs deeper”, M-Net: “we won’t stop the magic”). The corporate world are usually good at slogans but some from the CSO world are also effective – “helping the needy is a blessing – give generously”: Action Aid: “Giving people choices”: Christian Aid: “We believe in life before death”. Can you develop a phrase which communicates what your organisation does clearly and attractively to local people?

3.3. Educating Ordinary Citizens

Apart from using good communication as a tool for resource mobilization, CSOs are in a very good position to educate the public about the issues in society for which they will subsequently be asking for assistance. Once of the very important roles of CSOs is to expose wrongs, inform the public and authorities of the real situation of the poor and disadvantaged, and challenge society’s ignorance or rejection. CSOs using good communication skills will be able to both inform and educate the public and also seek their support (part of which will be financial). An organization in Indonesia exposed the terrible conditions under which children in
North Sumatra were forcibly marooned on exposed fishing platforms in the sea where they had to catch fish for their masters/employers or not get fed. Their very competent exposure not only aired the issue, but brought them a considerable income from those who were previously unaware of the situation.

CSOs have a lot to learn from journalists who are expert at putting over a story in language that people can understand, and in ways that command people’s interest. CSOs may think about how they can involve journalists in their cause.

### 3.4. Diversity

It will be obvious by now that one of the great differences in moving from financing that comes from international development agencies to financing that springs from local sources is *diversity*. You will need to be engaging a great variety of diverse parties in order to assure yourself of support from inside your country, and you will need to develop skills that allow you to communicate with them in ways that they will understand.

In order for us to work on these each of the 12 approaches for accessing existing wealth, or creating new wealth we will need to engage with some of the following range of people:

- The people that you are assisting - hopefully the people who will become your partners in together trying to improve their lives.
- The local community who live around the people that you are trying to help
- The wider public in your country
- Specialised groups within the public - like the industrial workers, or the bankers, or women, or coffee farmers, or veterans.
- The business community - or particular business houses
- The media
- Academia or the intelligentsia
- The government—at both national and local level: both regime (political parties), the legislature, the executive, and the judiciary.

In your engagement with these diverse parties let us be absolutely clear what we are trying to do. We are trying:

- to educate them
- to encourage them to support our work,
- to persuade them to give funds to enable us to do the work that we have said we want to do.
3.5. Two Kinds of Southern Citizens’ Organisations and their Different Dynamics

At this point it is important to note the difference between two kinds of CSOs – That is (a) organisations which support and benefit their members, and (b) organisations which support and benefit others (“third parties”). It is important to get this straight since these two kinds of organisations use funds in different ways:

1. **A Member Benefitting Organization**
   This is mobilizing funds from different sources for an organisation which manages programmes to benefit members of the organization. This is the case of a CBO (Community Based Organisation) or a mass membership organisation (sometimes called a People’s Organisation)

2. **Third Party Benefitting Organisation**
   This is mobilizing funds from different sources for an organisation that is managing programmes whose beneficiaries are other people, not the members. This is the case with most NGOs who are basically intermediary organizations - taking funds from one group or groups and spending them, through its intermediary position, on others who need help, or on a clearly identified cause.

It is important to clarify this to your prospective donors - otherwise they may be surprised to find who is actually receiving the benefits from the organisation. For both types of organisation there must be a clear “public benefit”, irrespective of the immediate beneficiaries, otherwise there would be no principled reason for people to give.

It is important to tell people what you are raising the money for: it is also important that people understand what their money will be used for if they give it. The CSO has the *fiduciary responsibility* (which is legal language for the trust that people have given you) to spend their money on what you told them you would spend the money on, and nothing else.

The rest of this Handbook will illustrate how a CSO can derive its financing from a variety of different sources. The diagrams on the next page give a schematic (and highly simplified) view of the difference between a single source and a multiple source organisation. The first point, therefore, is that there are a variety of approaches for resource mobilization. The second is how they can be identified and used. The rest of this Handbook looks at each of these approaches and at some of the issues involved in these twelve different approaches.
PART TWO: WAYS OF MOBILISING RESOURCES
1. REVENUE FROM EARNED INCOME

1.1. Being “Business-Like”

Most people asked to define “business-like” would produce words like “efficient”, “hard-working”, “professional”, “competent”. In discussing how CSOs can operate like businesses, it is necessary to think about business behaviour and patterns of thought. Producing goods and services to sell and thus create income—either for an individual or for an organization—requires a business-like approach, in the literal sense of the word. But this produces a problem: it is well known that most people involved with CSOs are not familiar with business principles and business practice. CSO people have rarely had to face the kinds of decisions and the ways of working that are common with businessmen and businesswomen. Some CSO people claim to actively abhor such behaviour. And yet, if CSOs are going to get involved in earning income for themselves, they have got to start thinking and behaving like business people.

Two aspects of the problem then surface:

a. How much experience do CSO people have with business?
b. Do CSO people want to behave like business people?

If SCO people have a very negative impression about running businesses, they are unlikely to take this idea up as a way of creating income for their organisation.

Consider two exercises:

1. The first is simply to ask people that you know who work in CSOs to tell you what involvement they have ever had with business, either directly, or through relatives (were their parents involved in business?), and what kind of business it was. Those that have had involvement with business, ask them what problems they (or their relatives) faced in the business world.
2. The second is to ask the same people what would they name as the characteristics of business people.

It is likely that the results of these exercises will demonstrate that:

- very few SCO people have had experience of business (most people working in the sector have come into the work from social work, religious life, the civil service, academia),
- very few people have any idea of the kinds of problems that businesses face,
• quite a few CSO people have negative impressions of business people.

It is not uncommon for people working in the citizen sector to talk about business people as ruthless, selfish, corrupt. On the other hand some people will put forward other very positive characteristics of business people—like hard working, good decision makers, far-sighted. It is important for all working in the sector to think and talk about their perceptions of business, and hopefully agree that there is no reason why a respectable and admirable person cannot be involved in business, and no reason why they and their organisations cannot be involved in business.

1.2. The Issue of “Profit” and “Non-Profit”

As soon as any discussion starts on the issue of CSOs running businesses, CSO people are very likely to raise the issue of their non-profit status. This is not just a legal issue (“can an CSO make a profit?”), but also a philosophical issue often based on unclear ideas about what “profit” is. This, in turn, reflects the lack of familiarity that most CSO people have with the world of business. It is important to get a few definitions straight:

1. For an ordinary profit making business, the word “profit” means an excess of income over expenditure which is distributed to private hands - either to the owners of the business or the shareholders in the business.

2. For a CSO, any income is re-invested - or ploughed back into the work of the organization in line with the objectives of the organisation. It is not “profit” because the work is never finished. The income is always used for the work of the CSO, and it is not distributed for private gain.

Therefore a CSO can try hard to get as much income as it can for its operations, and this is not profit - since it is never distributed to people beyond the work of the organisation. A non profit organisation can indeed (and should) raise or generate income, but this does not compromise its non-profit status.

This is not difficult for most people to understand - for they have seen people selling T-Shirts or crafts to raise money for an organisation, but it is made more complicated by public and government attitudes, and by CSO practice.

Governments, when setting up the laws or statutes under which CSOs are legally registered, have usually tried to make a distinction between citizens’ organisations and businesses, and one of those distinctions is that CSOs are non-profit making. The statutes should state “non-profit distributing”, but unfortunately they usually do not, and few government officials are prepared to listen to the arguments from the CSO side to clarify this point.

The Public, which, as has been mentioned earlier, has become increasingly worried about NGO pretenders masquerading behind a social purpose, are quick
to be suspicious about businesses run by CSOs. The public is inclined to see this as another way in which CSO people are enriching themselves, rather than helping other people. It is important that there are clearly different registration procedures between businesses and CSOs: it is also important that CSOs do try to raise or generate revenue—but this must be done openly and transparently with clear public information.

CSO people are used to revenue generating enterprises for their beneficiaries (often enterprises run on charity rather than business principles—like schools for the blind selling embroidery, vocational training centres selling furniture) in which the income is used to run the programme. They are not, however, so accustomed to generating revenue for the organisation itself, to pay for its administrative and running costs separate from individual programmes.

Because of these problems of perception and attitudes, CSOs - and those who are involved with CSOs - like Government) need to be made aware of the legitimacy and rightness of CSOs generating money for their own operations. The laws will be different in different places, but CSOs need to argue the point with whatever authorities make the rules, that:

- Citizens’ organisations should try and generate income,
- Citizens organisations should not be prevented from doing so by restrictive legislation—so long as the income is not distributed to private individuals as if it were a business.
- Citizens’ organisations should not be expected to rely on foreign contributions.

1.3. Different Ways of Earning Income

With those general problems clarified, let us look at the 4 different ways in which CSOs can earn 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

Let us take these one by one:

**Building income together as part of a community economic activity**

Here an CSO has helped to establish an income generating activity (IGA) for its target group e.g. chicken farming, or pottery. In the usual way of things the target group people earn their income from this activity, and the organisation’s role is to set it up and provide the required training. What is suggested here is that the CSO has a share in the activity, either by way of a share of the income, or itself
runs a part of the operation, just like one of the target group people. Just as the IGA earns the target group some income, so it does the CSO.

There are two incidental factors that contribute to the value of this strategy:

a. it encourages the CSO to make sure that IGA is, in fact, generating income. This may seem obvious, but many CSOs continue to run highly subsidized “enterprises”, without checking if they are actually profitable. CSO stories are replete with unsaleable baskets, and unprofitable craftware. If the IGA makes no money, the CSO makes no income.

b. if the CSO is taking a part of the income, it forces the CSO to consider what part is of the income is going to the producers. It is not unknown for an CSO to set up an IGA which is actually exploitative of the producers—either because of ignorance of market pricing, or possibly avarice. An income for the organisation should not mask exploitation of the producers.

**CASE STUDIES**

Illustrations of this way of earning an income are:

a. CORR—The Jute Works from Bangladesh and
b. Jairos Jiri Association from Zimbabwe:

### CORR—The Jute Works

CORR—The Jute Works started life in Bangladesh after the war of Independence in 1972 to offer some way of providing income to the larger number of widows in the aftermath of war. It capitalized on the local crop, jute, and the skills of village women in making pot holders (thika) from the jute fibre—a skill that was purely functional in the village context where such hanging pot holders were an essential part of handling liquids. CORR—The Jute Works saw export market opportunity in this skill, by buying the thika from the women to sell overseas as decorative plant pot holders. It arranged the women in groups and gave them training in new products and techniques, bought their output, and placed it overseas through alternative marketing organisations and a mail order catalogue.

The sales of the craft work were divided: part of the income went back as a dividend to the producers (and this was used by the women’s groups for a variety of useful activities like improved water supplies, or tree planting): part went to pay for the administrative costs of CORR—The Jute Works, and part was put into a reserve fund. From time to time, depending on the size of the reserves, CORR—The Jute Works would fund development activities for the women’s groups beyond the craft operations—like latrine building.

CORR—The Jute Works was living and expanding on the backs of the craft production of the women, but was doing so in a way that enabled the organisation to be both self-sustaining, and a source of further funds. CORR—The Jute works has not taken foreign funding since its third year of operations (1975). The most difficult aspect of its operation is keeping up with the buying patterns of the people in the countries to which they export, and feeding these ideas back to the manufacturers. The enterprise
(and the organisation) will only continue if they remain smart entrepreneurs who research the market and produce for it, being prepared to change as the market dictates.


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**Jairos Jiri Association**

The Jairos Jiri Association, probably the largest organisation of its kind in Africa, serves more than 10,000 disabled people annually in Zimbabwe. It has a wide range of programmes including schools and psycho-therapy treatment centres for children, a scholarship programme to assist secondary and post-secondary students, a training centre and farm for agricultural education, and outreach and follow-up integration programmes: altogether there are 16 centres all over the country.

One of the Association’s main activities is the provision of specialized education plus vocational training for the disabled. It operates five craft shops, two furniture factories and a farm that produces food for nearby residents and graduated trainees. These craft shops provide a great opportunity for disabled people to obtain skills and to produce high quality goods including furniture, artificial limbs, wood, metal, and leather crafts and china.

In addition to serving as training centres and as a way to publicize the Association, the craft-shops generate a considerable amount of revenue for the Association. Jairos Jiri began to generate income in 1959 to support its programmes. The goods produced by the disabled clients are sold in goodwill stores to the general public, including tourists. The Association covers 43% of its expenses from the revenues of these shops. They started their operations with external donor funds (about US$ 200,000) and have been producing profit since establishment.

One important lesson from Jairos Jiri is that the stores could not be managed as part of the charitable programmes. According to the Executive Director, they should have been operated as a separate business activity from the beginning, adopting business principles and strategies.

From: Sustaining Civil Society—Strategies for Resource Mobilisation. CIVICUS 1997

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**Cost Recovery**

Many CSOs are confused by the idea of cost recovery. They sometimes say, “Since CSOs are meant to work with the poor, and many of them are set up to provide services to people who cannot afford to buy these services, how can they possibly expect the poor to pay (wholly or partially) for these services?”. Experience has shown that the poor are not absolutely poor, and that they can pay for some of the costs of services, provided those services are services that they need and want, and providing that they are delivered in ways that they can have some control over. It is true that the very poorest may well not be able to
pay, but there is room for cross-subsidising i.e. charging enough from the ordinarily poor, so that free (or highly subsidized) services can be offered to the poorest.

Some CSO people object to cost recovery from political or ideological convictions. They feel that the state should offer free services to the poor, and so should CSOs. They see such organisations as an aspect of the Welfare State.

Other CSO people have a different ideological perspective—that the market economy is what should be promoted, and that in a market economy everything has a cost.

The most persuasive arguments in favour of cost recovery come from some people’s experience that people (poor or otherwise) do not value services that are free: if they have to pay for them, they will not only value them more, but will use them more effectively.

It is fairly straightforward to argue that services which help people to make money should be paid for, and nearly all micro-credit schemes, for instance, almost as an article of faith, demand a service charge (see more on this in Chapter 9, section 9.1). Some vocational training programmes also require payment for the courses undertaken, sometimes up-front, sometimes from the income earned following the course when the graduate is gainfully employed.

It is also fairly straightforward to argue that services which help people to become more productive and thus earn more for themselves should be paid for. Thus, for example literacy programmes, health and rehabilitation programmes, and land reform programmes are likely to increase individuals’ earning powers, and such individuals could pay for the services either up front, or with deferred payments once the greater income is earned.

If programmes are, however, dealing with the absolutely poor, or are providing services which have no earning potential (like tree planting, post disaster relief, help to People Living With AIDS (PLWAs), birth control, early childhood development or orphans) it is difficult to think how the CSO can recover even part of the costs. In such cases there seem to be three possibilities:

- applying the argument that people will find the money if they value the service,
- part cost recovery where the service has to be paid for but at a highly subsided price,
- cross-subsidies where the price of services is set at a level where the ordinary poor can afford it, but where enough income is earned to offer free services to a smaller number of absolutely poor.
A CSO which is serious about thinking through cost recovery ideas needs to be entrepreneurial (can tree-planting make money? Can condoms earn money?), but at the same time very pragmatic. If the service is priced beyond what the poor can afford, they will not use it - and the CSO’s mission is perhaps jeopardised. Some Governments applying IMF (International Monetary Fund) structural adjustment programmes with cost recovery on clinic services, for instance, have found that the programme results in people dying at home because there is no way they can afford the costs of visiting the clinic.

CASE STUDY
Illustrations of this way of earning an income are
a. PROSALUD in Bolivia

PROSALUD—Self-Financing Health Services

PROSALUD’s objective is to function without outside support, recovering its costs from the sale of its health services and products. In the health sector, recovering costs by charging fees for health services delivered to low-income families is often considered impossible. Charging fees that are high enough to cover the costs of services appears to discriminate against the very poor, who live on the edge of subsistence and often have no money on hand to pay for services or goods of any kind.

This conventional wisdom, however, seems to be belied by the PROSALUD experience in Bolivia. PROSALUD already has a growing system of health facilities in operation that are self-financing through the fees that it charges. Clients are predominantly low-income families. Services include free preventative health care and child survival interventions. Curative services are provided free of charge to families that cannot pay (between 8-13% of PROSALUD’s patients). PROSALUD has conclusively demonstrated the feasibility of self-financing primary health care services, even in a country as poor as Bolivia.


Enterprises Linked to the CSO’s Mission
Here the question that the CSO has to ask itself is: “Are there any activities related to the organisation’s main work (or mission) which can make money from a different market?” For instance—is it possible to market for a price to a richer group of clients the same services that the organisation is providing free to it’s target group? If the CSO is, for instance, running a nursery to produce fruit tree seedlings, can these be sold to better off farmers as well as given free to the target group?

Or, for instance—is it possible that the CSO’s set of skills and equipment be packaged differently to appeal to a different market? Can (for instance) the
CSO’s photo-copier operate commercially in the evenings and at weekends? Can the CSO’s computers be used in commercial training courses as well as used for it’s administrative business? Can the CSO’s accounting system be sold to others? Can the CSO’s surveys of its working areas be sold to banks, advertising agencies, government programmes?

Or, for instance, is there some new saleable product or service possible using the CSO’s core experience? Consider this example of an SCO working with AIDS in a central African country: most of its work was free AIDS testing and counselling to the public. It realized, however, that shame and confidentiality were an important aspect of PLWAs and some people did not want to be seen coming to their free down town clinic. It therefore offered a two-tier service in two different locations - their usual free clinic open to the public, and a more confidential service in another more secluded site—for which people paid. The income from the latter subsidised the costs of the former.

**CASE STUDY**

Illustrations of this way of earning an income are

a. Pact, USA

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**Pact: Health Insurance for NGOs**

Pact, a US NGO, has a health insurance plan for its employees, as do many other US NGOs. The particular health plan is a good one and very well run. Pact found that other US NGOs were asking it for advice on running their own health plan, and were very receptive to Pact offering to include their organisation into the Pact health plan. Soon Pact was earning a modest but important income from providing health insurance facilities for a number of other US NGOs. It knew how to do it, it could relatively easily scale up, it had a number of other interested potential customers, and it could do the work without under-mining its services to its own employees.


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**Yayasan Bina Swadaya**

Yayasan Bina Swadaya in Indonesia is an organisation specialising in improving the lives of small farmers and fishermen through savings, credit, and the formation of co-operatives. Its early work was to encourage rural poor farmers to save their money and take out credit to expand their small self-employment possibilities. The Yayasan (which means "Association") charged a service fee for the credit which went some way towards paying for the costs of the credit scheme. The Yayasan found that many of its customers wanted to raise chickens, but that obtaining day old chicks was a real problem. It therefore went into the business of hatching and producing day old chicks
and selling them, making a small profit, to its customers. It found that other people apart from its target group, also wanted this service and so it also started to sell day old chicks in the market place. It started a small extension newspaper for its target group on improving farming practices, and found that this newspaper filled a need for a farmers magazine that existed beyond its immediate target group. It also geared up its production for the market place. It then found that its skill and experience of running its original savings and credit operation was at a premium for other development agencies, and that other organisations wanted to know how this could be done. The Yayasan started a consultancy service, offering its senior employees on short term hire to other development agencies.

Through its work with foreign development agencies it realised that there was a market for the kind of knowledge about Indonesia life that was part of its essential way of working, and so it offered alternative tourism services to the supporters of foreign development agencies. Everything that it did to make money was a spin off from its original mission, based on skills developed in the course of activities connected to that mission.


CSOs need to really do some brain-storming to consider what resources they are offering, and what they are owning—and then think entrepreneurially if and how they can find some way in which these resources can make money for them. Simply by being in a place that others consider exotic is, for instance, a potentially saleable resource, as we can see from Alternative Tourism:

**Alternative Tourism**

The usual kind of tourist is one who craves creature comforts familiar back home, but likes them packaged in an exotic setting. They are often unaware of the actual environment in which they spend their holidays since what they see and experience is decided for them by hotels and tour operators. There is, however, a small but increasing number of tourists for whom a visit to a foreign country is an “alternative” opportunity to learn more about that country, including the reality of life “behind the scenes”.

Basically there are two kinds of NGOs who have appreciated that they have special knowledge and experiences which are marketable and can earn money—those who offer tourists an introduction to the realities of life in a particular country—and can organize exposure tours to villages and aspects of rural and urban life that other tourists would miss (these are offered in India and Thailand, for instance): and NGOs who are involved in environmental matters who offer eco-tourism, that is specialized visits to places of particular environmental interest often combined with exposure to particular environmental problems (these are offered in Nepal and Madagascar, for instance). As with much tourism, the ethical problems arise not as a matter of principle, but when the numbers involved escalate. It is difficult for the most sensitive and committed tour guide to bring the 500th tourist to look at the misery of the rubbish mountain pickers of Bangkok, as it is difficult to preserve the wilderness conditions required for the
interesting biological diversity in Madagascar under the visits of very many tourists, however pure the motives of the tour organiser.


**Income from Enterprises not linked to the SCO’s Mission**

Here the SCO is looking for anything which earns good returns on capital. To be successful, however, the organisation should think of the following points:

a. It should not require too high a degree of business acumen, since, as we have seem previously, SCOs are usually inexpert in this field. SCOs would not be advised to go into, for instance, the retail marketing trade or import/exports, but they might go into renting property or a meeting room. Of course, if the SCO can acquire or hire business skills, this need not be a problem.

b. It should not be anything that compromises the existing work of the SCO. An organisation working with alcohol abuse or drug addiction would not be advised to open a bar, however lucrative it might be. The public would not consider the SCO to be serious.

c. It should not be something that drains human resources from the main work of the SCO.

On the positive side, SCOs should look for ideas that capitalize on the free skills and experience of well-wishers to the organisation. If someone offers the SCO a building, then it could go into the property renting business: if anyone was able to reliably advise the SCO that there was both a source and a market for second hand clothing, then the SCO could go into that business.

A very important point for the SCO to consider is whether the income generating activity can be compartmentalized away from it’s main work, and avoid interfering with it. If an SCO gets into a business unconnected with its mission, there is a strong tendency for the business to sap the strength of the organisation’s main work.

**CASE STUDY**

Positive and negative sides of this way of earning in come are shown by

a. The Zambian Red Cross and
b. PROSHIKA, Bangladesh
Enterprises of the Zambian Red Cross and PROSHIKA Bangladesh

The **Red Cross in Zambia** raises 87% of their income from the rental of offices and flats. The original Red Cross building has been owned by the Red Cross since at least 1964. They have also, in the past, received ownership of 6 flats which they have rented out since then. In 1991 they approached Finnish Red Cross for a loan in order to build a second building. Finnish Red Cross agreed, and when the building was finished in 1992/3 the World Bank rented the office space on the third floor (they have subsequently moved to larger premises).

Rental from the office space brings in a substantial amount of money which is usually paid for a year in advance. The rent from flats is on a monthly basis. All of their administrative and most of their continuing project support comes from rental together with smaller amounts of other domestic fundraising. For special projects of relief work, the Red Cross applies for funding from outside sources, typically their sister agencies (e.g. British or Finnish Red Cross, or their umbrella agencies International Committee of Red Cross and Red Crescent Societies). Mrs. Munkanta says: “we do not have the headache of chasing funds. We are able to operate in a more secure financial environment which has allowed us to follow through with programmes and be innovative. You still have problems with flats being unoccupied or dealing with the demands of tenants, but it is generally a good experience”

*From: “Depending on Ourselves—Zambian Experiences in Domestic Fund Mobilization” by Hull and Holloway. Pact Zambia. 1996*

**PROSHIKA**, a large Bangladeshi NGO, was helped by CIDA to buy a bus company that it intended to run as an income generating enterprise. No-one in PROSHIKA had ever managed a bus company before, and the inter-city bus business in Bangladesh is not only very competitive, it is also pretty lawless as businesses try and capture passengers from each other. PROSHIKA soon got bogged down in problems of maintenance, ticket collection, cash flow problems, and, in the end, found that it was taking much too much of the senior management’s time—time that should have been spent on the economic and social development work that PROSHIKA was set up to do.

Added to this the business itself was not making much money—certainly not enough to justify the management time that was being spent on it. Sensibly PROSHIKA divested itself of its bus company and stuck to what it was good at. It is now generating income for itself from a service fee on its large credit programme, by running an internet service provider, and by renting out a spare floor in its own office block.


### 1.4. Issues to Consider in CSO Revenue from Earned Income

Experience suggests that the following issues are likely to be important obstructions to the SCO’s ability to earn income from enterprises:
The Conflict of an SCO Culture and a Business Culture
As discovered in an earlier exercise, CSO people and business people have different characteristics. It is well to recognize this rather than expect CSO people to easily move between cultures. Some of the most successful CSO enterprises have worked because they have managed to attract competent business people to the CSO who are prepared to work for a wage rather than a share of the profits. The organisation has allowed them to run the enterprise according to their own experience, separate from it’s main work.

It is also true that a move into income generation may not be well received by some of the staff of your organisation who may consider that this was not the reason they joined - and opt to leave. The new ideas need to be fully discussed within the organisation.

The Lack of Business Management Skills and Experience
This has been remarked before. CSOs either need to engage in an enterprise that does not require such acumen, like renting buildings, or hire in such expertise which will be paid from the income of the enterprise

Planning/Allocating Human and Financial Resources
If a CSO is deciding to go into business by starting an enterprise, then it has to decide what part of its financial resources, and what part of its human resources (i.e. its staff) should be allocated to the enterprise. On the one side, the CSO may not be able to use any of its present financial resources because of its donors regulations, and may need to fund raise separately for the enterprise (see later): on the other side, it may also not find that its staff are happy to be moved from, for instance, working with street kids to running a printing press. The CSO manager needs to think through carefully the management implications, and also make sure that the Board understands and agrees to the ideas. There are important questions to decide on - such as: “Should the enterprise be managed as a separate entity?”, “What profit levels should be demanded?”, “To whom should the enterprise report?”

Access to Capital
Where can the CSO hope to get the capital with which to start an enterprise? This is a crucial matter for an organisation, and one which often causes pessimism in an SCO otherwise interested in earning income.

There are a variety of answers to this:

a. from money raised by the SCO separately from foreign sources e.g. subscriptions, membership, local fundraising, interest on investments
b. from funds specifically requested from foreign donors
c. from gifts in kind (e.g. a building)
d. from a bank loan—just like other entrepreneurs
If a CSO is trying to get funds from foreign donors to start an enterprise, it must be understood that many donors do not yet think in these terms. They haven’t yet dealt with the paradox that they are trying to encourage the growth of CSOs and their self-reliance, but they are reluctant to invest in self-sustaining income generation schemes for CSOs by which they may become self-reliant. Some donors are enlightened and are prepared to think in these terms (particularly northern foundations) but many need to be educated by CSOs about the importance of such funding (see later Chapter 6: “Resources of Foreign Development Agencies”).

**Relations with Foreign Donors**

Donors should logically be delighted that CSOs are thinking entrepreneurially, and should be very interested to invest in their enterprises in order to allow the CSOs to be financially self-reliant. Sadly very few think like this, and some back up their position by reference to previous miserable failures in this area. It is often the case that previous attempts were poorly prepared.

In some cases foreign donor agencies have skills available to help CSOs because another section of the agency deals with small scale industry and entrepreneurship development. There is usually a divide between the two fields, however, and CSOs wanting to start enterprises are not linked to these resources of the agency, since it comes under another department.

If a foreign donor is interested to support the entry of a CSO into an enterprise, it will ask all the same sorts of questions that have been posed in this section:

a. will the enterprise interfere with the main mission of the organisation?
b. will the enterprise be profitable?
c. will the enterprise attract unwelcome or hostile comment?
d. will the SCO be able to run the enterprise?

These are all important questions which the SCO should, in any case, be asking itself.

Once the foreign donor has decided to support an SCO profit making enterprise, it may have a variety of other support mechanisms with which it can help—funding, technical assistance, business assistance, sourcing of markets (for export goods), bank guarantees and others.

Inter-donor meetings at both a national and international level to discuss their responses to SCO enterprise creation is very much needed—too much of the present thinking about and response to the issue is ad hoc and unplanned.

**Public Perception**

If your CSO’s name becomes more associated in the public’s mind with, for instance, property rental than working with street kids, you may have a problem
with the public’s perception of your organisation and what it does. The public and the Government may be more than usually suspicious that your organisation is a money making scam for its directors. You will need to either be less overt about the income generating side of your operation (e.g. call it by another name) or spend some time educating the public that every time they rent your property they are helping street kids.

Legal Status
Following on from the points made earlier about the muddled understanding that the Government has about CSOs that try to earn income, there may well be complications about the legal status. In the UK it is common for CSO income generating businesses to be set up legally as tax paying businesses with the profits then “covenanted” i.e. pledged, or legally agreed, to be passed over to the original CSO. Such an arrangement clearly and transparently shows anyone that the enterprise is not for personal profit.

It is likely that all CSO owned businesses will, initially, attract tax. Unless there is some blanket law to allow such enterprises to be given tax free status, each CSO will probably have to argue the case for tax free status enterprise by enterprise. The CSO should use the argument that the income earned will be used to deal with social problems for which the State would otherwise have to use its own resources, and thus ought to be rewarded by the State by releasing it from contributing to the State’s income through tax.

CSOs will find that these ideas have to be argued against a possibly hostile audience, and that success is likely to be achieved by strength in numbers and influential champions (see page 17: “Champions” under “Accessing Non-Financial Resources”). One important resource that has recently become available to CSOs is the “Handbook on Good Practices for the Legal Environment for NGOs”, produced by the World Bank and the International Centre for Not-for-Profit Law. This book, produced to provide advice to governments and the World Bank offices, has very useful information on the legal and tax issues involving the NGO sector (see Further Reading).

Competition with the Business Sector
Part of the hostility to an SCO business and its requests for tax free treatment is likely to come from the existing business community, particularly when the CSOs go into fields that compete with them—property, service provision, trading. Such people will not see why you should be able to undercut their prices because you do not have to pay tax, or because you are subsidised in some way. They regard this as unfair competition.

It is unlikely that CSOs will be too threatening to the business community, but this may be a problem in particular cases. There seem to be two ways of approaching this problem:
a. by educating the business community about the value of what your SCO is doing, and getting them on your side

b. by persuading the Government to declare certain kinds of enterprises reserved for SCOs and community organisations—this is the case, for instance, in Nepal for handloom weaving to make the traditional Nepali men's hats, and in the USA, for making car licence plates.
2. INDIGENOUS FOUNDATIONS

2.1. What are Foundations?

Foundations are structures set up whereby funds can be accumulated and made available in perpetuity to specific kinds of recipients for grants and/or loans to be used for specified purposes. Some countries have foundations which are themselves operationally active.

Most cultures and traditions have created something similar to a foundation structure - very often for religious purposes. The original benefactor gives funds or a source of funds (like property) to the Foundation and from the income (interest on invested funds or rent from property) the Foundation is able to make grants or loans, or, in some cases, to operate an activity itself.

Depending on the legal tradition in the country concerned, such funding structures may be called Trusts as well as Foundations - but they are basically structures whereby an individual, or organisation make available funds for on-granting, on-lending, or operations for philanthropic purposes.

Such foundations may be set up by individuals, by business corporations, or by governments - but once they are set up they have a specific governance structure and are governed by the statutes under which the Foundation or Trust was established. They no longer belong simply to the individual, business or government, although the statutes may to a greater or lesser degree keep the control with the original benefactor. The Ford Foundation, for instance, which operates all over the world as a development agency and funder, was set up by the family of Henry Ford, the originator of the Ford Motor Company. For a long time, however, neither the Ford Motor Company, nor the Ford family have been in charge of the Ford Foundation. It is governed by a self-perpetuating Board of citizens who have been chosen for their particular skills and experience.

Foundations and Trusts are not, however, only features of developed countries in the West. Charitable and philanthropic trusts are present in Japan, Korea, India, Bangladesh, Sri Lanka, South Africa, and to a more limited degree, in many countries of the world. They are a valuable feature of philanthropic life and need to be encouraged. Islam, wherever it is practised, has its own version of the philanthropic foundation in “waqf” (see later in this section for more).

What we are interested in accessing are indigenous foundations and trusts—structures which have been set up by nationals of the country to make funds available for a variety of purposes - some of which the CSO could access. In order to ascertain what foundations exist in your country, try the exercise of asking people you know who work in CSOs what foundations they know of, what
their origins are, what their main interests are, and what CSOs have ever accessed their funds.

It is very likely that the majority of foundations or trusts that are known about are religious in nature - formed for the upkeep of mosques, temples, churches: but it is possible that the business community, and perhaps the Government, has set up independent trusts and foundations for particular purposes.

2.2. Why are Foundations Created?

It is also a valuable exercise to discuss amongst people you know who work for CSOs what the motives may have been for the establishment of the Trusts and Foundations that you have in your country. If you know what the motives may have been, it may give you an advantage when you negotiate with them.

Some motives might be:

- Individuals (particularly successful businessmen/women) coming to the end of their lives and wanting to give back to society some of the income they have earned/raised during their lives—perhaps thus earning credits for the after life.
- Individuals who want a particular interest of their own to be enabled to continue (e.g. traditional music, women’s education, archaeology).
- Businesses wanting to prove themselves good corporate citizens and give back to society some of the profits they have earned/accrued—and preferring a separate organisation to manage this rather than operating it from inside the business.
- Governments wanting to set up a structure which will not be a political football dependent on which party is in power, but a structure which will continue independently.

The question of the “particular purposes” for which a Foundation or Trust is set up is one of the key factors when SCOs think of accessing funds from Foundations or Trusts. Since it is their money, the originators of the Foundation or Trust are entitled to specify in the founding legal documents exactly what their money shall be spent on—and this has to be followed by the governing Trustees or Directors. It is essential, therefore, that SCOs interested in accessing indigenous foundation funding should find out what the declared purposes of a foundation or trust is—rather than wasting time pursuing funding which is reserved for a category (like children, or the aged) which may not be part of their work.

2.3. Accessing Foundations’ Wealth

Depending on the legal system in the country and how it is operated, there are usually two kinds of Trusts—private trusts (often set up by families to govern the inheritance of their property, or pay for the children’s education) which the public
does not have access to: and *public trusts* where anyone, or any organisation, who meets the purposes of the Trust or Foundation, can access.

Such public trusts, moreover, are bound to declare publicly how their funding was spent - thus allowing the public to check whether they are consistent with the purposes of the original statutes (and not hijacked by a particular interest). The problem for CSOs is often to find out what Foundations exist, what their purposes are, and what their money has been spent on. In some countries there are Directories of Foundations, but not by any means in all countries. A valuable job for an CSO co-ordinating body is to research and produce such a Directory if it does not exist.

Such a Directory should also clarify what are the procedures whereby people and organisations can apply for funds from an indigenous Trust or Foundation. It is important for CSOs to identify Trusts and Foundations in which there is a match between the two Missions so that they do not waste each other's energy.

Another tactic is for the CSO to negotiate with the Trustees/Directors of the Trust or Foundation to persuade them that the CSO's particular cause is worth supporting - even if it seems outside the original purposes of the Foundation. One way to do this is to argue that the original statutes had not considered particular problems of today (like AIDS) and that they need to be made more relevant to today's problems. Another way is to persuade the Trustees/Directors that there are a variety of ways to deal with an identified problem (like, for instance, orphans), and that your way of working (home-based care, or adoption, for instance) is as valid and worth funding as the more traditional ways of dealing with the problem (e.g. building orphanages).

This approach is particularly possible with Foundations established for religious purposes. Within Islam, for instance, believers are encouraged to donate funds called "zakat" once a year. Such funds are often used to buy food and clothes for the poor once a year. Reformist spirits within Islam have pointed out that such contributions do nothing to build self-reliance or diminish the number of the poor - the same people are there the next year for the same kind of hand-outs. They have suggested that the zakat funds could be used to create a foundation for micro-credit operations which would lend money to the poor to start their own businesses and, hopefully, escape from their poverty.

Depending on the way that religious practices are observed, it may be possible to persuade those responsible that religious trusts set up to advance religion (often by building churches, temples or mosques) should also use their money for more developmental purposes (like health or education).

One example of an indigenous form of foundation in Islamic countries is the tradition of “waqf”. “Waqf” is a donation made by someone of property to Allah, and managed on that person's account by a group of Trustees. It is often a gift of
land or property, and the bequest is frequently rented out so that the income can be used for a charitable purpose. “Waqf” donations are frequently used to pay for the running costs of orphanages, Islamic schools, and clinics. The institution has many advantages—the donation is registered by a “Waqf Board” and is tax free and the management is recognized as being a charitable duty for which no fee is charged.

So far we have been talking of mobilising resources by accessing the wealth of indigenous Foundations or Trusts: another (and in the long term, equally important) strategy is to encourage people or organisations with resources in your country to establish Trusts and Foundations, and make available such resources for development purposes. Local foundations for local purposes are a valuable contribution to the philanthropic culture of a society, and CSOs could well benefit from them if they are set up. The USA has nourished a tradition of the Community Foundation which is a foundation focussed on community needs and supported by local contributions from individuals, businesses, and local government. Many Central and Eastern European countries have seen this model as being relevant to their own situations.

CASE STUDIES
The case studies which illustrate Indigenous Foundations are
a. Fundacion para la Educacion Superior, Colombia
b. The Healthy City Foundation—Banska Bystrica, Slovakia.

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**Fundacion para la Educacion Superior (FES), Colombia**

FES was founded in 1964 to help a public university meet its cash flow and programme expenses. Given that Government disbursements were habitually late, the University was forced to borrow from local banks at high interest rates. At the same time funds received from foreign foundations were deposited in local banks without earning interest. These donors advised the university to set up a mechanism to promote donations from alumni and the local business community. The president and trustees selected 12 prominent civic and business leaders in Cali to establish a private foundation and an office for fund-raising and development.

FES became independent in the early 1970s and its reach broadened. A Vice-President for Social Development was established to make grants, conduct research, and create seed programmes outside the original university.

FES’s programmes provide financial support to NGOs and research organisations in the form of donations directly, and donations to Permanent Endowment Funds. These typically consist of money ear-marked for a specific purpose which FES matches with a 50% contribution and for which it serves as a financial manager. In 1994 there were 400 such funds, worth nearly US$ 22 million. FES’s programmes focus on health, education, economic, and social development, environment, children and youth and civil society support. To date, FES has distributed more than US$50 million in grants.

<table>
<thead>
<tr>
<th>Healthy City Foundation, Banska Bystrica, Slovakia</th>
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<tbody>
<tr>
<td>The Healthy City Foundation grew out of an earlier foundation in Banska Bystrica that went through an organisational crisis and survived through re-birth as a community foundation. Initial funding came from the city government which was persuaded that a community government would serve the public interest. Other support has come from external foundations, local corporations and individuals. The Foundation’s budget is small—about US$ 30,000 per year and it has an endowment of some US$50,000. It is estimated that an endowment of $500,000 is needed to support its programmes completely and sustainably.</td>
</tr>
<tr>
<td>The Foundation provides support to local civil society organisations that are working to improve the quality of life in and around the city. The amounts given are often small—less than $300. Its programmes include environmental, neighbourhood, rural, women’s and youth programmes. The youth programme is particularly innovative in that a programme advisory committee has been established from high school volunteers.</td>
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3. INDIVIDUAL PHILANTHROPY

3.1. Who Do You Give to?
CSOs are interested in accessing contributions from individuals to help their organisations, but if CSO staff, Board and volunteers have never solicited funding from individuals, be warned that it involves interesting new psychological dynamics and a variety of learned skills. In order to understand something of the dynamics and skills involved in individual giving, it is useful for those who are soliciting gifts to reverse roles, consider themselves as givers, and examine what happens when they are asked to give.

A useful exercise is to ask people you know who work for CSOs to tell you of all the approaches that they have received formally and informally from people and organisations for donations over the last six months. They should say what was the organisation, (or person) and what they were asking for.

From this exercise we can get a picture of the ways in which individual philanthropic giving is carried out in your country, and what are people’s motivations. This may give provide some interesting ideas.

Following that exercise it is both interesting and useful to discuss the ways in which philanthropy is culturally understood in your country. It is likely to be a combination of religious principles and kin, clan or tribal affiliations. Probably people in your country will feel that it is legitimate both to be asked to give and to give for the disadvantaged (particularly the disabled, and the victims of natural disasters) and for extended family members. How much farther traditions of giving extend beyond that will probably be culturally specific to different countries. Possibly people in your country do not have a well-developed tradition of giving money, but are much more comfortable with giving food, shelter or in-kind. An interesting local variant in Pakistan and Bangladesh is the Islamic tradition of giving skins from animals sacrificed at religious festivals. These skins are usually given to orphanages to be sold for income for the running costs of the orphanage.

It will be interesting to see whether giving to organizations (as opposed to people) is an accepted cultural tradition in your country – and, if so, to what kinds of organizations, and under what conditions.

3.2. Organisations soliciting for funds
When the discussion moves to organisations soliciting individuals for money, you are to some extent departing from traditional practices. You are asking for the disinterested giving of someone’s own resources to an organisation (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). This is, in many countries, a new way of thinking.

In some countries the joint family and the community have been the traditional caring mechanism. In other countries, particularly those which have evolved from a centrally planned economy, the State has been considered to be the agency which looks after the needy beyond the extended family, and foreign donors to be the agency which helps the State to do so. In the past funding from both governments and donors has blocked both the need and the opportunity for people to give to people.

If you consider it possible in principle in your country for organizations to solicit funds from individuals, then there are skills to be learnt. In order for you to make a good income for your organisation 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 organisation 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

While CSOs are interested in receiving money primarily (because there are so many things that money can be used for) solicitations for individual philanthropy can equally well result in people being prepared to give your organisation personal time, their sweat, goods and materials, or their good advice.

Many people consider that fund-raising means begging individuals to give to something that you are committed to, while they may not be. Most people consider that this involves some form of persuasion of otherwise uncommitted, or even reluctant people. Many people feel unhappy and uncomfortable with the idea that they are trying to persuade others to give something against their wishes. But this is not the case: what is needed for many people who are thinking of fund-raising from individuals is a mind switch, a new way of thinking, a paradigm shift in their approach.

Actually what they are doing is offering individuals a chance to be involved in something worthwhile. They are offering people a chance to get involved in their organisation’s mission - and the tactic is to offer that chance to people who are likely to be interested in it. Most people in the world are concerned about the plight of people worse off than themselves. To a greater or lesser extent they worry about such people, and they would like to help them. Many people do not
know how best to help them, and, under pressure of their own problems and their own working lives, their concern is shelved or forgotten.

Along comes your organisation and says “we are offering you a chance to express your concerns practically. We think you are as worried as we are about street children (or AIDS orphans, or battered women, or landless peasants—or whatever is your particular cause). We know that you cannot do a great deal yourself because of your other work, but we have decided to work on this full time, and we would like to offer you a chance of helping street children through helping our organisation”. You are not begging someone to do something they do not want to do - you are offering people a chance to support something which they would like to support, but do not know how to.

3.3. Knowing How and Whom to Ask

Now of course soliciting funds from individual philanthropists will only make sense if you are able to get donations from considerable numbers of people, and thus the skills involved in accessing individual philanthropy lie in:

- knowing how to identify likely potential donors
- knowing how to ask them for their donations in ways that unlock their desire to help
- knowing how to organize the solicitation process
- knowing how to present your request for funds in a persuasive way.
- knowing how to get both one time and long term commitment from people

NGOs which have been used to writing project proposals to foreign donors will not be accustomed to the very different ways of soliciting funds from the man or woman in the street, or the man or woman on the footpath. We need some practice.

A very useful exercise for NGO staff people to get such practice is to think how they would explain their organisation to the man/woman on the street/footpath, and how they would ask for funds, using a basic pro-forma kind of fund-raising brochure whose outlines appear on the opposite page. CSO staff can use this format (or something like it) to try and write a sample fund-raising brochure. They should try and be persuasive and informative. Other staff members can then look at the brochure and see what they feel about the brochure’s power to persuade them to give.

This exercise really reveals the differences between appealing to a foreign donor, and appealing to the man or woman in the street. Once you have tried out this exercise, and seen which approach at this kind of brochure seems most convincing, you need to think about how such a fund-raising brochure could be targeted, and how you can identify likely donors.
Some suggestions for writing this sample fund-raising brochure may come from the answers to the following questions:

**What sort of people are likely to support our Mission?**
Think whether there is a particular group of people within the public who are likely to be enthusiastic about an organisation that is working on the particular problem or issue that we are concerned about. If it is anti-corruption, perhaps students and churches would be most enthusiastic: if it is women’s emancipation, then women and women’s organisations are likely to be concerned.

**Who should support our Mission?**
Here you need to think of the kind of people who are likely to be enthusiastic about your Mission, but have not yet been made aware of what can be done, and of what you are doing. This implies some public education and social mobilization before they are ready to be approached for a donation. If your organisation is working with PWLA (people living with AIDS), then it is likely that relatives would be interested in your Mission, but need to be educated that (a) organisations like yours exist and (b) anything can be done.

**Who do we want to support our Mission?**
Here you are talking strategy—what groups within society is it important for you to convince of the value of your work? Probably high on many CSOs list would come the business sector, and perhaps the organisations of organised religion, perhaps political parties?

You need to be aware of the cultural traditions in your society, but you need not be bound by them. Certain societies seem to be keener to support education, certain ones keener on the arts, but all of them can be made aware of the current problems of society, and the work your SCO is doing to help with them. Do not think that your fund-raising has to be directed only towards the rich people in your country: in most countries the poor proportionately give more than the rich - usually because they can identify with the problems you are describing better
than the rich can. Fund raising from individuals works best when it is lots of small contributions which together make a significant amount. It is possible, of course, to dream of a single huge benefactor - but it often stays at the level of dreams.

While of course it is the money that primarily interests your organisation when you are mounting a fund-raising effort targetted at individuals or the public, there are also important non-monetary reasons for this kind of resource mobilization.

3.4. Non-Monetary Reasons for Supporting Individual Philanthropy
There are many reasons, apart from the actual money collected, for involving your organisation in individual philanthropy:

- Many hundreds (perhaps thousands) of supporters gives your organisation stability, particularly if you are clever enough to make sure that they move from a one time contribution to a regular contribution.

- Individual philanthropy supplements and balances unstable funding from foreign donors or governments.

- Individual donations gives the SCO untied funds that it can programme as it wants (within, of course, the fiduciary responsibility it has to the donors). Such funding is not tied to particular expenses as is funding from foreign donors.

- Individual donations do not require elaborate proposals. As we saw from the fund-raising brochure, we are persuading people on the basis of our Mission, our reputation and our experience—not on the basis of an elaborate proposal as with foreign donors.

- Following the same track, our financial reports are simply the reports of any responsible CSO - they do not need to follow the sometimes tortuous and complicated reporting conditions of some foreign donors.

- Individual donations mean that the NGO is now responsible and accountable to a large constituency of local people who have, in effect, voted for the NGO by their donations, and are your supporters for the future (unless you disappoint them).

- Individual donations mean that people have made a personal decision to help—not leave it to the government or foreign donors, or someone else—and this is a good thing for your society as a whole.

3.5. The Enabling Environment
There are other issues which determine the likely success of attempts to raise funds from the public. These are:
The Economy
In times of boom, or at least relative prosperity, people are likely to be able to give more. In hard times, people will probably give less.

The Culture
As we have mentioned before there are likely to be cultural traditions about giving. However, few cultures remain static—they are changing, and changing dramatically. There is likely to be a new middle class in your country with money to spend, and they will be open to new influences—there are people exposed to foreign influences (like people returning after studying overseas) who will be open to new ideas. A smart fund-raiser is a close observer of new cultural patterns.

Public awareness of societies needs
If the public is unaware of some of the things that are happening in your country which need to be reformed, then part of your job will be the kind of public education which will, in effect, create your market for fund-raising. If it is revealed, for instance, that most prostitutes in your country and actually debt slaves who have been bought from overseas, you may find find a different pattern of interest from people who previously thought that prostitutes in your country had chosen that life for themselves.

The CSO’s Credibility
However good your idea is, however sincere your commitment, this will not result in donations from the public if there is some serious problem with your organisation’s credibility. If scandal has hit your CSO, if it is too closely linked to a political party, if it is seen as a vehicle for one person’s glory - people will not put their hands in their pockets. Another point to consider is the “standard of living” of your organisation and its staff. If your organisation is conspicuous by its expensive 4 wheel drive vehicles and computers (The “Pajero and PC Syndrome”), then the public may not want to respond to appeals. Similarly if your staff are seen to be rather wealthy…

The Helpful Context
Simply asking people face to face to give money to your organisation is the simplest form of fund-raising—however that requires large numbers of people going out and doing the asking. A society which allows people to pay by cheque, a society which does not condone stealing collecting boxes, a society which allows tax concessions for those who give to SCOs are all societies which enable SCOs to collect from the public more easily. Part of this is a legal and fiscal environment in which people who pay tax can expect tax relief on their donations to non-profit organizations. Limit your expectations of reforms in this field producing great bonuses for CSOs, however, by looking at the number of people who actually pay tax in your country…….
3.6. Methods of Individual Fund-Raising

After this discussion about the nature of individual fund-raising, how do you go about it? There are 7 different methods discussed below, all of which will be possible in different ways in your country, and all of which need to be put through your own country’s cultural filters. Another possible one is Internet fund-raising which seems to be a new and growing field and is treated separately in a separate chapter 12.

In Person
Here people, usually volunteers working to help your organisation, ask members of the public for donations. There are traditions of collecting boxes, or envelopes left to be collected later, of static collecting boxes left in shops, at airports, in public places. The principles are to try and collect in small amounts, but to collect a lot of small amounts. It is also, obviously, very important to have honest collectors collecting for your organisation, and some countries provide identification certificates for their collectors.

At the Workplace
While individual collecting drives can be mounted in factories or other workplaces, an important strategy for collecting at the workplace involves persuading the whole workplace to make a regular donation by agreeing a certain cut from their salaries every month. To achieve this the NGO needs to persuade both the management (who will be responsible for the deductions from payroll) and the workers (perhaps through the Trade Union) to allow a small deduction from their pay. Experience shows that workers are more inclined to do this if they see that management is making an equal or at least a substantial donation to the same cause. While this practice is common in the North, few organisations in the South have tried it. The Charities Aid Foundation is encouraging its use in the south (see Resource Organisations, later).

At Events
Most countries have a tradition of fund-raising events—dinners, concerts, sponsored sports events, sponsored walks, fairs etc etc. Other countries find it useful to “piggy back” their fund-raising on existing events (like religious festivals) when people are inclined to be charitable. Most people with experience of organising events comment on the huge amount of organising time that is required—sometimes a disproportionate amount of time given the income finally received. There are possibilities of film premieres, there are pop concerts, there are art exhibitions - the possibilities are endless. It requires a creative mind to think up some new gimmick or some new idea which people will have fun doing and which they are prepared to pay you for the pleasure of doing—one recent innovation is sponsored bungee jumping!

Many events will become more attractive if a celebrity is involved - like a film star, a musician, a sports personality. People may come to see the personality, but will stay for the event, spend their money, and learn about your organisation.
Through Direct Mail

Direct mail means sending a letter to someone asking for a contribution to your CSO. In some countries it is quite common, in other countries unknown. 15 years ago an Indian organisation, Lok Kayan Samity, which runs eye hospitals, decided to raise money through direct mail and worked to build up a mailing list of good “prospects” i.e. people who had shown an interest in the work and who had made donations. It cultivated its supporters, sent them a birthday card annually, asked them to find other donors—and received so much support that it was not only able to pay for the costs of its own eye hospital, but started to raise funds for other eye hospitals. Building up a responsive mailing list takes time, but provides for steady income without too much extra work. This method has become a whole science in the North, with linked computer programmes and specialized training. The International Fund-Raising Group can provide a lot of experience.

Through the Phone

Just as it is possible to make a solicitation through the mail, it is also possible to make a solicitation through the telephone - but much more difficult. The person telephoning has to be able to capture the interest of the person called and sustain it through their speech, as well as pass on important information like the address that the cheque should be sent to. It is possible, but difficult.

Through the Media

Many CSOs have had success by advertising their organisation in the media (papers and TV or radio) and through such advertisements, asking for contributions. Sometimes this is a way to gain names which can subsequently be put onto a mailing list as regular contributors. Sometimes descriptive articles about the organisation written by a journalist can have an appeal for funds attached. It is wise to try and get advice from those experienced in journalism or advertising before doing this (another opportunity for non-financial assistance from supporters) since an advertisement which gives the wrong impression can set your organisation back many years.

Through Imaginative Ideas

People who are fund-raising from the public have to think of creative ways in which large numbers of members of the public can be separated from small amounts of money which they will not notice, and can be persuaded to send them to your CSO. Often this will involve collaboration with a business or another institution. As examples to get you thinking, here are three examples from Japan, British Airways and the ITT Sheraton - all involving small gifts of money at no great sacrifice, which have aggregated to very large amounts of money for different organisations:

a. In Japan a scheme was set up to raise funds for Japanese overseas aid through Japanese CSOs. It involved the postal savings bank—20% of the interest earned on the ordinary deposit accounts of individuals who had a
Postal savings account are automatically deducted for Japanese CSOs working overseas (and account holders can choose to have a greater percentage deducted).

b. The ITT Sheraton Hotel chain, in agreement with UNICEF, invite all their customers to round their bills up to the nearest ten dollars when they settle their accounts and Sheraton give the extra money to UNICEF.

c. UNICEF have also persuaded British Airways to issue envelopes to all their customers (which come with their head sets as they take their seats on aeroplanes) inviting them to give the spare change from the last country they were in which they are no longer able to use. Other airlines have also taken up this idea for other causes and organisations.

**Legacies**

When people are making their wills, and deciding how their estate or their income should be divided, it is often possible to suggest to them that they leave a certain proportion of their estate to worthwhile causes. In some countries this is quite common, in other countries unheard of, and very surprising. It requires tact on the part of the soliciting organization to make such a suggestion without seeming to encourage the person to die soon! Of course the most impressive way of doing this is for a rich person to set up an indigenous foundation from his/her estate (see Chapter 2).

All these ideas get a lot of small contributions, and do not require a sacrifice from the donor. Other important ways of getting help from individuals, of course, are not financial – but which require people to give their time, their expertise, and their skills. This has been discussed in Chapter 1.

**3.7. Best Practices**

Lessons from professional fund-raisers suggest the following best practices:

- See your fund-raising as a way of offering people an opportunity to do something worthwhile: go for the heart—the purse will follow.

- Wherever possible listen to donors and get feedback from them—they will advise you, through their reaction to your appeal, about the strengths and weaknesses of your fund-raising efforts.

- Tell them about the people who are being helped by your organisation—again an appeal to the heart.

- Sincerely thank donors **many times** for their contributions

- All donors are valuable—big as well as small. Small donors can be cultivated to become large donors over time.
CASE STUDIES
The case studies which illustrate Fund-raising from Individuals and the public are
a. HelpAge India,
   a. The Al-Amal Centre for Cancer Care, Jordan.

**HelpAge, India**

HelpAge India is the largest secular voluntary organisation working at the national level in India for the welfare of elderly individuals. Projects supported by the group include old age homes, rehabilitation programmes, day care centres, and medical outreach programmes. Funding for these projects has been possibly only through the generosity of the public.

Direct mail is one of the fundraising techniques used by HelpAge India. The organisation is constantly looking out for and acquiring addresses of potential donors through such means as newspaper advertisements. Relevant data are computerised and updated regularly. Potential donors are kept on the mailing list for up to 5 years. Since direct mail involves only written communication, a good appeal letter is critically important. The appeal letter is sent first to a small segment of the target audience to test both its effectiveness and the mailing list being used. If the response rate is over 2%, a large scale mailing follows.

A first time donor is a “hot prospect” who must be nurtured. He or she is sent newsletters, annual reports, birthday greetings, brochures, project lists, and personal letters. The aim is to develop a close relationship with each donor and keep the person as informed about HelpAge India as possible. The budget for direct mail is closely monitored: HelpAge India has been able to keep the cost/benefit ratio at 1:5—that is, for every dollar spent on a mailing, five dollars is generated in donations. Each direct mail campaign is coded so that the response rate can be measured and analyzed. Donors are then assigned a priority according to their income, frequency of giving, and the size of each donation: a donor profile is compiled based on these varying factors, and subsequent mailings are targeted so as to increase the donation revenue per mailing.

HelpAge India now provides 15% of HelpAge India’s funding. The donor base has increased from approximately 3000 donors in 1990 when direct mail started, to more than 50,000 donors in 1997. The organisers attribute much of this success to careful planning, constant testing, and evaluation of the mailing lists, and increased public awareness of the organisation’s objectives


**Al Amal Center for Cancer Care, Jordan**

The Al Amal Centre for Cancer Care provides comprehensive cancer care to the people of Jordan and the surrounding region, including early detection, treatment and rehabilitation of cancer patients, public awareness and education and research.

The General Union of Voluntary Societies, under the guidance of its president, Dr. Abdullah Al-Khatib formed a national task force for the establishment of Al-Amal Centre
in 1984. Following the death of his daughter, Dalia, from leukemia at the age of 13, Dr. El-Khatib recognized the urgent need for a cancer centre to provide effective cancer treatment then available only in industrial countries and at high cost.

Dr. Al-Khatib and the Task Force developed a capital campaign to raise the estimated US$30 million needed for the Centre. With the help of the media and word of mouth, Jordanians became aware of the Centre’s goal. Many wealthy individuals began to donate generously, and other contributions flooded into the General Union of Voluntary Societies, which also contributed a great deal. About 25,000 students joined a nation wide “Knock on the Door” fund-raising campaign. Construction began in 1989, after some US$2 million had been collected.

An Al-Amal Centre Support Week held in 1992 under the patronage of His Majesty King Hussein and Her Majesty Queen Noor was one of the largest fundraising efforts ever. It included another “Knock on the Door” campaign, as well as a charity march of thousands of people from Al-Hussein Sports City to Al-Amal Centre. The week ended with a 16 hour live telethon, in which Jordanians donated more than US$10 million, the largest amount in the nation’s history.

Almost 26,000 donors contributed to the Al-Amal Centre, 6,500 of whom did so in the memory of a loved one lost to cancer. Obviously important to the success of the capital campaign was the commitment to the cause and the excellent preparation and planning by all involved. A clearly defined goal gave potential donors something to aim for, and the fact that so many people had friends and loved ones with cancer helped create a special sense of national sympathy and unity.

4. BUILDING GRASS-ROOTS ORGANISATIONS

4.1. What are Grass-Roots Organisations?

Grass roots organizations are village (or slum) level membership organizations formed for self-help and self-improvement purposes. The premise of this section is that third party CSOs have frequently tried to raise the funds they think are required to carry out activities at the grass-roots level - and have often found this difficult. CSOs often operate by trying to form (or encourage) grass-roots organisations (GROs), also called Community Based Organisations (CBOs), and, all too often, they feel that they have to raise the funds necessary for the activities of such GROs/CBOs. Many resources can, however, be mobilized at the grass-roots level by grass-roots organisations themselves—resources which an outside organisation would not be able to access. Grass-roots organisations are also often indigenous and traditional organisations. As they are encouraged by CSOs to take on new tasks for development purposes, they sometimes have access to indigenous and local resources. Not only are these indigenous resources not accessible by outside CSOs, but it means that CSOs do not have to try and raise those funds if the GROs are raising them themselves. GROs can also, depending on the activity, generate funds for themselves. CSOs can help them to do this, and by doing so:

1. save themselves the need to try and mobilize such resources for GROs
2. empower GROs to mobilize their own resources, and control these resources themselves.

The first task in this section is to identify what grass-roots organisations exist in your country which have evolved into having new functions. It is likely that in every country there are mutual assistance associations of some kind or another, and in some countries there are more specialized traditional organisations. Try to make a list of all organisations that you know together with their original functions and any new functions that they may have taken on.

GROs and CBOs were originally formed to address concrete problems of their members in social (e.g. ritual, dispute resolution) economic (e.g. production, marketing) or natural resource (e.g. water, fodder, trees, fish conservation) fields - and to address these problems within the circumscribed world of that community. Now, as communities open up to the influences of the outside world, they are able to ensure that their members’ interests and problems are represented to power holders and representative bodies outside the community. As they take on such new roles they can mobilize resources for themselves—
both raising funds from sources available to them, and generating their own resources.
Here are some examples of GROs which interact with agencies beyond the original community—often national government departments, but also CSOs, donors, and local government:

**Social:**
- PTAs (Parent Teachers Associations)
- Village pharmacies
- mothers’ clubs and womens groups
- nutrition clubs
- drinking water committees
- neigbourhood watch groups
- village health management committees
- peace and conflict resolution committees
- early childhood development groups

**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

Originally GROs mobilized resources that were needed for production and marketing, and the maintenance of livelihoods. Now increasingly they are being asked to mobilize resources for various social safety net functions as the State reduces its ability to provide, or indeed fails to provide services in the field of education, health, and welfare. Indeed in many places the State, rhetoric to the contrary, has never provided education, health, and welfare services, and it has been left to the community to handle such matters themselves.

As GROs evolve from traditional tasks to ones that interface with the more modern world and outside forces, they often change. Community groups in the past were often managed autocratically by traditional leadership (which was predominantly male), and they were directed to very local problems. Such groups are now more likely to be democratic, to involve women more in leadership roles, and to involve the community in larger social and economic problems.
GROs are, above all, membership organisations in which the membership provides the governance of the organisation, and the members are the beneficiaries of whatever improvements or benefits the GRO brings. Usually they are locally formed to address a locally identified problem - although sometimes their formation is induced by outsiders (like Government Community Development Workers, or CSO animators) and the problem is identified by outsiders. In whatever way they have been formed, however, the problem around which they associate has to be one that is recognized and accepted by them. They need to accept and indigenize the problem as one which they recognize as important (for instance child spacing and birth control) and not simply associate around something that others have introduced to them.

Because they are voluntarily formed to address a local problem that requires the provision of a local good or service, they have strengths which an outside body, be it a government agency or a SCO, do not have. They are able to:

- 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

Moreover such GROs are unlikely to have expensive overheads—they are likely to operate at a modest level of administration and management.

Moving into the political sphere, such GROs (particularly if they federate with other GROs into groupings larger than the village or slum community) can:

- confront powerful interests from the state or the market which impinge on their lives
- through their use of collective power and numbers overcome outside influences which are harming them
- make sure that influences helpful to them are supported

In many places in the world, as the power of central government shrinks, there is a *de facto* or *de iure* increase in the power and activities of local government. Foreign aid is increasingly being directed at local, municipal, and city governments - and such governance structures are looking for organizations to work with. Local governments’ natural partners are GROs, representing a logical counterpart to decentralized government, rather than CSOs which are not usually so local. CSOs can, however, build up GROs up to take on that role, and help them to command the new resources that will be available.

### 4.2. How Can GROs Mobilize Resources?

- They can map and analyze community resources, and discover what they as a community own and can utilize. Techniques such as Participatory Rural
Appraisal/Participatory Urban Appraisal (and their successor, Participatory Learning and Action—PLA) have shown the ability to help communities realize their own resources (both physical and skills).

- They can set up membership structures which can institute savings procedures and mobilize fees, subscriptions, and special levies (in cash and in kind)

- They can generate resources by offering the following services to their members for a fee:
  - administering credit
  - adding value through crop processing or marketing
  - providing social services (e.g. school or clinic)

- They can access resources from:
  - local government
  - from members of the community who have left and are in good jobs
  - local businesses which operate in their areas (e.g. seed and fertilizer companies, timber extraction firms, fish processing plants) either as donations or levies

### 4.3. Federations

All resource possibilities mentioned above can be multiplied many times through federations of GROs. Very large amounts of money can be generated by federations of GROs that have multi-thousand subscriptions, savings deposits, fees and levies. Such organisations can own their own banks, their own processing companies, their own heavy equipment. Such federations can organise, as Credit Unions do, cross-subsidies to help poorer areas with funds from more prosperous areas. They can also make available venture capital for new enterprises, and, perhaps most importantly of all, can put pressure on MPs, Councillors and other kinds of local representatives to make sure that government services are relevant and useful rather than irrelevant and harmful.

This section - on GROs and their ability to mobilize resources for themselves - is predicated upon the view of CSOs as intermediary organisations who work to build citizens membership organisations, and thus does not view CSOs as organisations that themselves implement work at the grass roots. If an CSO is seeking to implement the work itself, it usually has to find the funds itself: if an CSO helps to create and build up a GRO then it is likely that the GRO can mobilize substantial amounts of its own funds.

But apart from the matter of funds, by building the GRO, the CSO is also building:

- the citizens’ ability to organise themselves
- the citizens’ ability to access resources from government
- the 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

CASE STUDIES
The case studies which illustrate Resource and Grass Roots Organisations are
a. Jardim Shangri-La, Brazil
b. Credit Unions in Lesotho.

Jardim Shangri-La, Brazil

The shanty-town of Jardim Shangri-La is a haphazard cluster of small scale shacks
made of scrap lumber and cardboard, with no running water or sewage, perched
alongside a putrid, garbage-strewn river. Taking advantage of the headway generated
by a local branch of the Citizen’s Campaign against Hunger and Poverty and for Life (the
Acao da Cidadania Contra a Fome, Miseria e Pela Vida) from a nearby shanty town, 16
families in Jardim Shangri-La banded together to tackle long-standing community
problems. For years they had waited for government help, now they realized that with
limited outside help and their own sweat and ingenuity, they could take effective action.
They established the Cooperative Habitacional Jardim Shangri-La to upgrade their
housing and generate much-needed income.

Cooperative members began by holding bingos and raffles and pooling their money to
buy land for a brick making factory. Next, they received a US$ 7,000 grant from the
Fundo Inter-Religioso, a small projects fund operated by an ecumenical coalition of
Church groups and NGOs, to purchase a simple motor run press to produce cement
blocks and concrete slabs. Eight local residents were hired to work at the factory, which
would cover their salaries from the profits of brick sales. Soon the factory was turning out
600 bricks a day. Others members of the community, including women and children,
volunteered their labour on weekends to boost production and construct houses in the
community.

The Coop has also used its bricks to renovate the community centre where
meetings, sewing courses, and catechism classes are held, and residents built a 7,000
litre storage tank that supplies potable water to the community for the first time. Now the
cooperative plans to pool profits from its brick-making with a small donation from the
catholic archdiocese’s social service center to start a restaurant to feed poorer members
of the shanty-town and to earn extra, steady income by selling prepared meals to
workers of nearby factories.

The experience of Jardim Shangri-La vividly portrays the remarkable
accomplishments and potential of the Citizen’s Campaign. With only limited outside cash
donations, and a good deal of volunteer support, complementary institutional
partnerships, and a newfound sense of purpose, 16 families are vitally improving their
community.

Credit Unions in Lesotho

In an attempt to increase local investment in agriculture in Lesotho, the National University of Lesotho Extension programme—a partnership between the National University of Lesotho and the Canadian based St Francis Xavier University, CIDA and Misereor—suggested that credit unions be formed. Village leaders organised community meetings at which the extension service explained how a credit union worked. After this orientation the community members were responsible for deciding whether they wanted a credit union, and, if so, they had to take the initiative the invite the extension service back to provide training. The commitment of time, effort, and resources on the part of the community firmly rooted the project at the local level.

Once the decision to form a credit union is made, villagers form study groups and commit a year of study to become thoroughly knowledgeable about the concepts and operations. Then several members are selected to participate in an intensive course on book-keeping and financial management. They were required to pass qualifying examinations in order for the credit union to be formally established and officially registered with the Ministry of Agriculture and Cooperatives. Each credit union is managed and administered entirely by its members, who are responsible for all decision making. The members also elect a nine-member Board of Directors, an Auditing Committee, and an Education Committee. Once the Credit Unions are established, it is government’s responsibility to conduct an annual financial audit.

The World Council of Credit Unions and the Canadian based Caisse Populaire provided training materials and assistance in establishing an umbrella organisation—the Lesotho Cooperative Credit Union League (LCCUL). At one point, when the government announced its intention to take over the credit unions and use them as a base for a national bank, the cooperation of the communities with LCCUL proved a formidable force in fighting this government initiative.

The movement eventually led to the formation of more than 70 credit unions throughout the region. Membership has increased steadily over the years: given the extended families of the average member, the credit unions reach more than 250,000 direct beneficiaries. Their programme has diversified to include a number of income generating activities such as communal gardens and craft cooperatives, and some unions have even constructed their own facilities, which can be rented out to earn income. Due to its success, Lesotho has been selected as the site for the African Cooperative Savings and Credit Association training centre for Southern and Eastern Africa.

Establishing a credit union gives members an opportunity to save regularly, borrow in times of need, learn how to manage their own finances, and develop habits of thrift and honesty. They use the skills they acquire and their access to capital to start their own small enterprises. Approximately 30% of credit union members hold leadership positions throughout the village in development committees, churches and political parties. In addition, at least 45% of the credit union members have learned how to read and write. And since many of the men are absent from the village for long periods working in South Africa, women have played a dominant role within the credit unions, which helped to give them visibility as capable and responsible leaders.

5. RESOURCES FROM GOVERNMENT

5.1. Complicated Relations

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

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

All this does not suggest smooth sailing for CSOs which want to access public resources which are controlled by government. Just as governments have a spectrum of complicated attitudes towards CSOs, so also do CSOs in turn have a spectrum of attitudes towards government. It is important for CSOs to clarify for themselves how they regard government before they start negotiating for access to government resources. The attitudes of citizens’ organisations cover the range of the following positions:

- CSOs are by definition non-government, their strength is that they have an alternative view of development from government and a different way of working, and they should stay that way. They should have as little to do with government as possible, and rarely use their resources.
- CSOs should be free to choose which aspects of government they consider admirable and with which they want to work, and also those with which they do not wish to associate.
Government does not own the resources it controls, it merely holds them in trust for the public. CSOs, as organisations of the public, have the right to demand government resources. In particular CSOs have the right to demand resources which the government holds, but is either not using, or using ineffectually.

Government has the power. If CSOs want to access government resources, they have to accept that the government owns the resources, and learn pragmatically to engage the government on its own terms since they cannot successfully challenge it.

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

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

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

a. By persuading the government that their interests will be served by funding the CSOs to do what they themselves want to do—in other words for the funding to be driven by the CSOs’ Mission, and for this to be accepted as valuable by the government.

b. By accepting government contracts i.e. for the CSOs to do what the government wants done. In such a case the funding is driven by the CSOs’ desire for income, although, of course, it is possible that the government’s mission and the CSOs’ mission coincide.
There will be many shades and gradations between these two positions, and the CSO will certainly be required to compromise when working with government. Where the CSO is unable to persuade the government to fund the CSO’s programmes, the clever CSO will exploit the possible compromises to carry out its own mission-driven activities under the cover of activities contracted by the government. Contractually the SCO will have to deliver what it has agreed, but it can do other things over and beyond what it has contracted to do.

A good example of this is Gram Vikas, a CSO in Orissa, India. Gram Vikas wanted to work on land and human rights issues with tribal people in the interior of Orissa, but found it difficult to get funding for this, particularly from the Indian or State Government. The national government was offering funds for NGOs who were interested in developing, extending, and popularising bio-gas digesters, however, as part of government’s strategies to conserve fuel wood from forests. Gram Vikas’ mission was not in the energy conservation field, but it was not averse to the concept of bio-gas digesters, and it saw the opportunity to get government funds to mount programmes in the remoter areas of Orissa where the tribal people lived. Gram Vikas has become the leading exponent of bio-gas technology in Orissa State, delivering all that the government required of it, but it has also “piggy-backed” advocacy and adult education work with tribals on this programme.

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

5.3. Constraints to Working Together
Having listed these strengths and weaknesses (and recapitulated their own strengths and governments’ weaknesses), it is worthwhile to consider the constraints to successful SCO/government collaboration. These are:

A lack of understanding of each other’s goals
Often government’s goals are quantitative—to increase production, or decrease morbidity, for instance—whereas CSOs goals are more qualitative—for instance, to build self-reliance and community involvement.

The inability of government to identify the types of SCOs that might become reliable working partners
Depending on which government we have in mind, the government may be more aware of welfare types of CSOs, or more aware of CSOs which are publicity conscious, or more aware of those which work in the capital city. They may choose these as working partners, rather than look further for the CSOs which
are creating an impact in their chosen field. Governments also have a concern about working with CSOs which may be too critical of the government, or may show up government inefficiencies - and yet these may be the most effective CSOs.

**Restrictive government procedures**  
Government tendering and reporting demands and procedures for advances and liquidating imprests are often very burdensome if they are applied in their entirety. Because of the inherent distrust that government frequently has of CSOs, they are often applied in their entirety, and CSOs find these conditions very difficult to comply with.

**Problems of attitude (distrust) on both sides**  
This has been mentioned earlier. CSOs are suspicious that government ministries and departments are venal, corrupt, inefficient and interested only in reaching numerical targets in order to please their political bosses. Governments are suspicious that CSOs are hazy, ineffective, ready to elevate process above demonstrable impact, and possibly subversive of government.

**Lack of clear government policy and guidelines on CSOs**  
In many countries there are no clear government guidelines on working with CSOs. In cases where government has been “forced” by donor conditionality to work through CSOs, but where there has not been any government policy to work with them, then guidelines are usually set by the local Government functionaries - often to the disadvantage of the NGO.

**Poor communications among CSOs and between CSOs and government**  
It is often valuable and necessary for CSOs working on a government programme in a particular area to liaise with other CSOs working in complementary programmes in the same area. Frequently CSOs do not have local fora for such liaison, preferring competition to consultation. In the same way, locally based programmes require good co-ordination with complementary government departments, but channels and fora for this are often missing.

**Sharp contrasts between the “top-down” working methods of government and the more participatory approaches of CSOs**  
As mentioned before, governments’ working methods are often directive (even autocratic) - seeing citizens as the objects of development programmes that are being done to them, whereas CSOs are more participative, seeing citizens as the subject and the driving force of their own development. Where government programmes are based on nationally designed plans which demand that the government functionary responsible deliver quantifiable results to fulfil his or her part in that plan, this can and will lead to difficulties with CSOs who do not necessarily subscribe to such ways of working.

**Poor understanding of the relative weaknesses and strengths of both sides**
CSOs do not appreciate the difficulties that well-motivated government officials work within, particularly their shrinking budgets and exposure to political interventions. CSOs do not appreciate either the wealth of experience of government officials, and the technical expertise available to them. In the same way Governments do not understand the problems of managing an organisation on the basis of serial projects, and the problems that come to an organisation which is concerned to make sure that the people are committed to a project rather than ordered to participate in a project.

**Lack of CSO accountability to their constituency, and to the public at large, for the ways in which resources are used.**

Government officials will contrast the way in which they work and their checks and balances with those of the CSO. The Government’s position is that a government is tested by the people’s faith in them through periodic elections, by the people’s ability to complaint up a recognized hierarchy, and by the complaints institutions like the Auditor General’s Office. They contrast this with the autonomous nature of a CSO which can do whatever it can get funding and its Board’s agreement to do. So long as CSOs take foreign funds their accountability is to foreign funders—not to the government, their constituency or the national public. This is an important point of vulnerability for the whole citizen sector—and it is still vulnerable to such accusations even when the government’s own governance machinery does not work.

CSOs can probably give many examples, from their own experience, of these different constraints. While the emphasis has been on relations with national governments, much of this holds true with local government—particularly when local government has very much been an arm of national government. There, are, however, increasing instances of very local and very democratic municipal governments which are very well suited to partnerships with CSOs. A very good example is Bolivia where in 1994 a Popular Participation law was passed in which local municipalities became the focus for citizens organisations and local government. The more that local government has a participatory and democratic governance, the more opportunities exist for citizens’ organisations and government to work together.

**5.4. Benefits and Risks of Government-CSO Collaboration**

SCOs must recognise the “realpolitik” that government will only fund CSOs if they see some benefit to themselves in doing so, and if they consider that these benefits will outweigh any possible disadvantages. CSOs have also to accept that there may be disadvantages to them in collaborating with Government which will outweigh the value of the income that they might receive.

Let us look at these in order. This section comes from the fine quartet of books produced by the Overseas Development Institute (see under Further Reading—
later this section) on government/CSO relations. Let us look at this from both sides’ perspectives:

Benefits and Disadvantages from the Government’s Perspective

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
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</thead>
<tbody>
<tr>
<td>Better delivery for government services</td>
<td>Government services shown to be inefficient by the NGOs’ presence and actions</td>
</tr>
<tr>
<td>More information available to the government from the grass roots</td>
<td>NGOs mobilization work may promote social instability</td>
</tr>
<tr>
<td>More interaction with the target groups of the program/project</td>
<td>The demand for government services may increase beyond the capacity of the government to meet it</td>
</tr>
<tr>
<td>Enhanced cost-effectiveness</td>
<td>NGOs may compete with the government for funds</td>
</tr>
<tr>
<td>Greater co-ordination of NGOs’ activities</td>
<td>Greater control of the NGOs</td>
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Benefits and Risks from the NGO’s Perspective

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
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<tbody>
<tr>
<td>Improved access by the NGO to policy formulation</td>
<td>Co-option by the government and greater government controls</td>
</tr>
<tr>
<td>Access to specialist research facilities and expertise</td>
<td>The NGOs grow to assume a more bureaucratic character</td>
</tr>
<tr>
<td>An opportunity to improve and reform government services from within</td>
<td>The loss of NGO autonomy and independence</td>
</tr>
<tr>
<td>Access to new technologies</td>
<td>Relegation to mere service provision, to the detriment of the NGOs wider programmes</td>
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<td></td>
<td>Loss of credibility among NGO clients</td>
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<tr>
<td></td>
<td>Tendency to maintain existing social and political conditions</td>
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<tr>
<td></td>
<td>The substitution of the NGO for government services perpetuates government inefficiency and absolves them of responsibility</td>
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<tr>
<td></td>
<td>The government takes credit for the NGOs’ achievements</td>
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5.5. Getting to Know the Government

If the CSO has decided that on balance it wants to try and access government resources, then it has to realize that it needs to do a lot of homework to acquaint itself with the way that government operates. It needs to learn a lot more about Government budgetting and regulations: for instance:
What is the source of the Government’s revenue? How does this affect developmental decisions?
To illustrate this, an anti-smoking lobbying organisation in Bangladesh had no difficulty in persuading the Ministry of Health of the harmful effects of smoking and the costs to the country in health care and days off work. The Minister of Health, however, informed the CSO that the income to the Bangladesh exchequer from taxes on cigarettes was simply so important that it was non-negotiable.

What government funds have been budgetted for what projects?
Can the SCO get access to the national budget? Is the budget as stated likely to be realistic—are the planned funds likely to be actually disbursed?

How does the SCO get invited to bid?
In each case of Government programming which seems attractive to the SCO, will the Government invite bids for its execution, or will it carry out the work itself? Is there scope for the SCO to lobby for one or the other?

What are the government procedures?
What are the Government rules about bidding procedures, allowable overheads, administrative costs etc? How does the CSO find out about these?

Does government have a “niche” for CSOs?
Are there specific programmes that Government has “reserved” for CSOs? If so, how does any CSO find out about these?

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

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

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

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

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

5.6. Legitimate Questions by Government of CSOs
If a government is prepared to either fund or contract a CSO, it has a perfectly legitimate right to have certain information about the organisation—information which sometimes CSOs feel is invasive. The government needs to know:

- What does the CSO stand for? What has it done in the past and what is it doing now? Where is it operating? What objective evaluations and audits can the organisation show?

- Who is in charge of the CSO? Do they effectively govern the activities of the organisation? Do they observe the law?

- Do the CSOs’ activities have the intended impact? Are they for the public benefit, or the benefit of a restricted clientele?

- Does the CSO demonstrate an ability to deliver on its promises, and manage/account for resources?

- Does the CSO work within the policy framework of the government?

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

5.7. What is Government Responsibility with the People’s Money?
As Structural Adjustment Programmes (SAP) operate in many countries of the South, governments in many places are being encouraged and/or forced to cut back on the services they have traditionally offered to their citizens in the fields of health, education and social welfare. In some cases they look to CSOs to take over this work—and this raises problems.

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

Secondly, many thinking CSOs are worried about governments seeming readiness/willingness to give up their responsibilities to their citizens. It is one thing for a government to contract at a time of financial crisis, but it is another for a government to re-think its responsibilities to its citizens, and decide to give some of them up. Should CSOs, even if offered grants and contracts, take on such work which lets governments out of their responsibilities?

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

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

- Governance - policies in place which will allow public debate and consultation between Government and SCOs, along with the clear implementation of the right to associate and to form interest groups

- NGO Policy - recognizing the worth of SCOs as partners in development:
  - facilitating and streamlining registration, reporting, auditing and accounting procedures.
  - involving SCOs in policy making and providing fora in which their views can be given
  - accepting SCOs as potential implementers of Government programmes and projects

- Taxation Policy - supportive legal and fiscal measures on local income, local fund-raising, duty on goods used for philanthropic purposes, duty on imports for similar purposes

- Access to information—providing SCOs with public information so that they can carry it to the people, and bring the peoples opinions to the Government.
Getting access to the policy making fora where CSOs can lobby for such measures (and hopefully get them adopted) may be actually more effective than funding from Government, but CSOs have to prepare themselves with clear demands for the policies and practices they want implemented.

**CASE STUDIES**

The case studies which illustrate Resource and Grass Roots Organisations are

a. Local Cooperation in Gdynia, Poland
b. YMCA Medical Assistance Programme in Lebanon.

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**Local Cooperation in Gdynia, Poland**

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

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

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

In October 1995, the first grant-making session took place, awarding US$70,000 to 20 CSOs. Groups were invited to Council meetings and gained a consultative position in policy decisions. One of the CSOs received a building free of charge from the Municipality to establish a day care centre. In April 1996, the Gdynia Centre of CSOs opened its doors, serving as a meeting place for over 40 grass-roots organisations and providing access to computers and a library. The office was donated by the municipality, and two of the employees are paid by the City. CSOs contributed 10 volunteers, and CSDF supports the maintenance of the centre.
CSDF learned that the success of the programme was based on identifying the common interests of the CSOs and the Municipality. In the process of programme development, the most important step was to gather representatives of both parties and engage them in discussions. The only significant obstacle to the development was the unclear legal regulatory system regarding local government-CSO partnerships. According to the leader of the programme, if he could start over again, he would prepare himself much more carefully to answer legal challenges.


Medical Assistance Programme, YMCA Lebanon

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

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

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

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

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

6. RESOURCES FOR SUSTAINABILITY FROM FOREIGN DEVELOPMENT AGENCIES

6.1. Foreign Funding for Organisational Self-Reliance

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

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

This section, therefore, focusses on the kinds of foreign financing that support organisational self-reliance and lead towards organisational financial autonomy.

The different methods of financing available to foreign agencies are basically the following:

- Emergency relief and welfare grants
- Small grants tied to specific development projects, time limited and with specific budgets
- Programme grants that allow the CSO to take its own decisions within agreed programme areas, and adapt its plans as necessary
- Grants for revolving loans—specifically for CSOs working in the micro-credit business
- Unearmarked organisational grants i.e. contributions towards the CSO’s whole work for them to use
What is being suggested here is expanding the methods of financing to include those specifically designed for organisational sustainability—like building Reserve Funds (sometimes called Corpus Funds), providing venture capital funding, financing fund-raising strategies, and endowments. The locus for making decisions on grants to CSOs has in the past varied greatly—depending on the nature of the foreign donor (INGO, bilateral, multilateral), and the kind of grant. In some cases the decision was in the hands of local country offices of the foreign donor, in some cases it had to be referred to head office, and in some cases there would be “graduated” decision making processes depending on the size of the grant being considered. A smart CSO manager would research the way that each foreign funder worked and be prepared to submit proposals which fitted the requirements of each donor. These change over time, and CSO managers are often adept at packaging their proposals to fit the language attractive to donors.

In some cases foreign donors have introduced a range of new procedures which invite the participation of SCOs in defining and deciding on how they should be funded in different countries. In some cases foreign donors (like the European Union) introduce new “windows” that have been identified for CSO funding.

The fields that we are talking about here, however, are not likely to be “supply driven”. There are few foreign donors which have policies on financing CSO sustainability. It requires the CSOs to make the case (either individually or through a federation) to educate the prospective donor about the relevance and value of such financing, and to be well informed about the parameters of such funding, as well as the experience of different donors in its use. In many cases CSOs will have to be the driving force in getting such concepts discussed by their potential foreign donor.

6.2. Financing Fund-Raising Strategies
A frequent response from CSOs who are responsive to the idea of moving from project funding through foreign grants to local resource mobilisation, is that they need to have some funds up front before they can employ new resource mobilisation strategies—and they do not see where such funds are likely to come from. Where will they get the funds to, for instance, build up a mailing data base, finance a fund-raising event, or place the initial advertisement?

There is very little experience of foreign donors providing the start up capital for an CSO’s resource mobilization strategy, but, at the same time, there is very little experience of CSOs asking for such funds—mostly because very few of them have seriously considered such strategies.

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

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

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

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

6.3. Providing Venture Capital Funding

In this case a CSO has identified an enterprise which it would like to run and is looking for the capital to start it up. Foreign donors are sometimes approached for such funds. Look back to the problems identified in Chapter 1: “Earned Income” for some of the likely responses to such requests. Foreign donors are probably most concerned about the CSOs’ business competence - their ability to identify a viable business opportunity, their ability to make a viable business plan, and their ability to run the business efficiently, make money, and make sufficient money for the enterprise to provide sustainable income for the citizens’ organisation.

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

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

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

It is true that a good business proposition should be viable using local commercial finance, but since the purpose of the enterprise is to make money to sustain the CSO’s main work, the requirement for a commercial bank loan to be repaid will simply prolong the period before the CSO is able to realize this original aim. There are examples of both ways of working in Zambia. The Zambian Red Cross and the NGO Coordinating Committee, for instance, were both given the funds to put up buildings from which they could receive rent (by respectively the Norwegian Red Cross and NORAD) whereas MultiMedia Zambia borrowed money at commercial rates from Zambian banks to put up housing for rent. MultiMedia Zambia had to wait a long time - until the bank loan was paid off - before the income from rent provided substantial income to the organisation, whereas the other two were making money from their property as soon as it was rented.

The examples from Zambia have all been of property that provides income to CSOs through rent. This is often seen by donors as the most attractive way of providing for an income to CSOs since it requires much less business expertise than, for instance, running a business. Often donors have combined the idea of providing a building for the offices of the CSO, with the idea of providing rentable properties as an income stream. In such a case a donor helps the CSO to acquire a large enough building for both the organisation’s headquarters (thus
saving expenditure on rented property), and for renting out to commercial paying tenants. There are good examples of this in the experience of the donors themselves—Oxfam UK, for instance, rents out the ground floor of its headquarters in Oxford to a variety of businesses, defraying its operational costs by so doing.

Donors have shown a variety of responses to proposals for venture capital, which suggests that they have not worked out a policy for themselves. Responses are ad hoc and often based on individual preferences. Two examples from Bangladesh (one mentioned earlier) illustrate this: The Canadian International Development Agency (CIDA) was asked by the CSO Proshika to underwrite the costs of Proshika acquiring a bus company there. CIDA provided an expert to do a feasibility study, and on his recommendation agreed the grant. The bus company not only failed to make sufficient money for Proshika, but also sucked management time away from the main work of the organisation. It was sold off. Proshika’s revenue generation is now based on income from a service fee on its large loan programme, by renting out a floor of its office building, and by running an internet service provider. Another organisation, Proshika Comilla, received funding from CIDA for an export clothing factory, again after an expert feasibility study. Again it was a disaster for the organisation, and was eventually sold. For ten years CIDA in Bangladesh never tried anything like that again. Many years later CIDA provided venture capital at a very much smaller scale for smaller CSOs which were handling small-scale credit. The Canada Fund helped them to acquire, for example, a number of rickshaws, or a boat as a way of gaining the income to pay for their running costs. In nearly all cases the CSO rented out the asset to existing entrepreneurs. These initiatives worked well, but were regarded as a pilot operation by CIDA and not repeated.

Another organisation in Bangladesh, BRAC, however, has consistently managed to persuade its donor consortium to fund asset creation for the organisation. Donors have paid for a potato cold storage plant, a printing press, a craft production business for both local and export sales, a silk export business, a computer training and contract accounting operation, and a local building firm. All are running well, making money for BRAC and contributing to BRAC’s financial sustainability. Some, like the silk business, are intimately connected with the main work of BRAC because very poor rural women raise the mulberry trees and the silk worms, but others, like the printing press, are purely intended to produce income for BRAC. One of the strengths of BRAC’s enterprises is that they are run as independent cost and profit centres within the organisation, each with their own management. The undoubted business acumen of BRAC has been a strong factor in their getting such funding. BRAC knew what it wanted, and successfully lobbied its donor consortium to provide it.

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

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

CASE STUDIES
The case study that illustrates ways in which foreign development agencies can contribute to the sustainability of NGOs or the NGO Sector is a. Organisation of Rural Associations for Progress (ORAP), Zimbabwe

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

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

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

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

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

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

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

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

From: *Sustaining Civil Society: Strategies for Resource Mobilisation. CIVICUS 1997*
7. RESOURCES FROM THE CORPORATE SECTOR

7.1. Why do Businesses Give to Citizens’ Organisations?

Businesses are set up to create profits - profits for their owners and their shareholders. It does not seem logical for them to be interested in helping citizens’ organisations, or the causes that such organisations stand for. Citizens’ organisations seem to be a diversion from their main purpose of making money - and yet businesses are increasingly helping CSOs. The following seem to be the reasons:

**Because they want to be seen by the public, by the government, and by their shareholders as good corporate citizens.**

If they are identified with causes that people think are worthwhile and worth supporting, then people who are important to them will think well of the company. They will then, at the margin, make decisions which are advantageous to the company - either in purchasing or contracting or contacts or some other way in which the company benefits.

**Because they want to be associated with specific causes which enhance their image and focus attention on their product or service**

If a company is identified with a particular service which society considers worthwhile, and which reflects the specific product or service of that company, then the identity of the company as a good citizen is deepened. Thus printers can get greater image recognition as printers - as well as more general approbation as good citizens - if they support (for instance) literacy work: similarly drug companies with health programmes, mining companies with environmental programmes etc. Such work would build a conducive environment for the operations of the business, as well as reminding people that they are the brand leader in a particular field.

**Because their competitors are supporting good causes**

Businesses are notoriously keen on watching their competition. If it appears that their competitors are getting involved in the support of good causes, it is likely that they will be looking for opportunities to do so too.

**Because senior staff are interested in a particular issue**

In times gone by it would be the wife of the chairman who would take responsibility for the (probably) welfare involvement of the company. Now with a greater company interest in social responsibility, the senior staff of a company,
particularly the board members or the managing director are encouraged to take a corporate interest in good causes. This will often be expressed through the particular interests of those people.

**Because they are asked, and are given compelling reasons for so doing**

Businesses do not change overnight, even under the pressure of fashion, to become less interested in maximising profits. They are amenable to arguments, however, which demonstrate that they will gain long term advantages in the market place by being identified with good causes, and by being identified with CSOs which are credible and experienced operators in the particular field they are interested in. They need to be convinced that their assistance to a CSO is a long term investment which will lead to increased on new markets in the future.

**Because they are interested in having a good reputation with their staff**

A number of businesses consider that a well motivated work force, including one that respects the business’ social commitment, will both be more productive and less susceptible to work disruption. Many businesses are prepared to link their corporate giving to their staff’s interests - perhaps matching contributions raised by staff, perhaps by accepting a work place giving scheme for the whole firm, perhaps by allowing their staff time off for specific causes agreed with the firm.

**Because they get some tax benefits**

This is often advanced as the argument for corporate social investment. It is more likely to be an added incentive at the margin when other factors persuade a company into programs of social responsibility.

### 7.2. What’s In It For Me?

Companies which are in business to maximise profits are, not surprisingly, inclined to ask this question (often abbreviated to WIIFM) when approached by CSOs. CSOs which are interested in accessing resources from business must therefore do their research well, and be able to put forward proposals to potential corporate funders which emphasise the advantages that their support to the CSO will bring them. CSOs need to know more about the companies that they wish to target, think about the valuable information, exposure, contacts, services, and experience that they can bring to the company, and consider the cultural differences between the ways they work as CSOs and the ways that companies work. Pioneering work in this field has been done more by international NGOs than southern citizens’ organisations. Save the Children USA was, for example, successful in allying itself with Castrol in Vietnam. Castrol underwrote important work that SCF/USA was doing with malnourished children there, while Castrol saw this as a way of positioning itself in a growing oil extraction and production market there, and hopefully improving its image vis-à-vis its competitors.

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

CSOs should not, however, be naïve in their relations with business. There are risks of doing business with the corporate sector. It would be possible for a CSO to get involved with a company which is promoting a technology or a product which is not of real benefit to the community with which the CSO is working. Examples might be a particular kind of seed or fertilizer, an inappropriate drug or luxury consumer item. CSOs have to think carefully about which company they want to collaborate with, and which they should avoid. It is even possible that the CSO’s proper role with some companies should be to campaign against them.

If, however, a CSO has done its research properly and has decided that a particular company has good potential as a collaborator, then it must approach the company prepared to think like a business. It needs to learn what businesses are looking for. Some likely goals from the business perspective are:

To build employee morale
- through the development of employees’ living area,
- through offering volunteering possibilities,
- through offering donation matching programmes

To develop the company’s business image and its market development
- through linking the company to a respected topic
- through increasing its name recognition
- through involving the company in recognized critical social problems

As an example of the latter, it has been relatively easy for CSOs involved in youth development to get funding for literacy, remedial education, and vocational training in post-apartheid South Africa. The whole nation is very aware that a generation of young people have not been educated, and that everyone (including every company) has a duty to remedy the situation.

A very interesting initiative has been started in India by ActionAid, an international development support agency which has been working there since 1972. Within its organisational framework of promoting corporate partnership it has started an organisation called “Partners in Change”. This organisation acts as a broker between corporate bodies interested in getting involved in social development and the kinds of organisations that need their support. Partners for Change suggests all the different ways that businesses might want to contribute to social development, and helps them to manage their corporate social investment. The need for “Partners in Change” suggests that there are potential
partners from the business and CSO worlds trying to find each other, but that each does not know enough about the other to make the connection.

7.3. Research in the South
There has been a lot of research on company giving behaviour in the North, but very little in the South. One example from the South is a survey by ActionAid of corporate giving - again in India. This revealed that companies liked to support the following issues in order of priority:

1. Rural Development (including the adoption of surrounding villages)
2. Support for the Disabled
3. Education
4. Health and Sanitation
5. Medical Benefits and the Welfare of Employees

The main reasons for the companies to choose these issues were (again, in order of priority)

1. Concern for a particular group
2. To build the corporate image
3. Family tradition of the business owners
4. Company tradition

The main benefits that they expected in return for their company giving were:

1. The personal satisfaction of company executives in fulfilling their social responsibility
2. The improved credibility and respect of their business
3. Increased confidence and satisfaction amongst staff

7.4. Corporate Social Responsibility
Those who have studied the corporate sector’s behaviour in relation to the non-profit world often refer to the subject as Corporate Social Responsibility (CSR). This terminology is increasingly becoming the acceptable way through which CSOs can approach the corporate sector. Not all businesses are at the same stage in their approach to CSR, however, and not all businesspeople see their role in the same way. It is likely that the CSO approach to a business will be targeted at one of the following three stages in business thinking:

a. Corporate Philanthropy
b. Business/community partnerships
b. Strategic business interest.

To take these one by one:
Corporate Philanthropy
This is usually in response to requests that come to the company from CSOs for a huge variety of help. Depending on the company there may be a special section that deals with such proposals, or they may be handled by the company director (or the spouse, or the secretary of the company director!), or they may be passed to the public relations or marketing sections of the company.

Some companies like to handle their corporate philanthropy through contributing to a business foundation which then takes on the responsibility for identifying which proposal to respond to; some larger businesses set up a corporate foundation of their own which becomes the agency for their philanthropy. The attitude of the business is that they ought to help “deserving causes” and they are interested in identifying the most competent organisations and proposals to respond to. They may have particular causes that they are most interested in (e.g. drug rehabilitation, disability, conservation) but they are, in the main, responsive to community initiatives.

Business/Community Partnerships
This is usually based on a collaborative decision making process whereby both the community (often represented through a CSO) and the business see an opportunity for a mutually satisfactory programme of collaborative work. The idea may come from either side, but both partners are involved in the decision making process, both sides are committing something, and both sides are assuming some of the risks. An example in Harare, Zimbabwe was the desire of a soft drink bottling company to get its product better distributed in the slum townships. It was prepared to invest in bicycle powered sales outlets, but it needed bicyclists-cum-salesmen to operate them. A CSO dealing with street kids and out of school youth wanted to find employment for their older youth. Both sides came to an arrangement whereby the CSO supplied and trained youth to be salespersons and the bottling company set them up to sell soft drinks on commission.

Medium and small companies, and business/trading associations have immense potential to support local causes in imaginative ways. Their strength lies in easy access, understanding local needs, and non-financial resources. One example of the last is secondments – whereby local businesses lent staff (like accountants) to local CSOs in order to help them become better organised.

Strategic Business Interests
This is usually based on an initiative of the business, and the decision is made in the company to invest in some aspect of social development which will provide tangible benefits to the company. CSOs may help to develop the ideas, or may be implementers of them, but the company is in the driving seat. For instance, the operations of many businesses in Africa are hampered by the HIV/AIDS epidemic. Businesses are concerned to limit the spread of the epidemic and
reduce the lost days in an AIDS affected work force. CSOs can be hired to provide AIDS testing and counselling.

Another kind of example can be seen through computer firms, like Macintosh, which are enthusiastic to donate computer equipment to CSOs and through them to communities. While the CSOs benefit, the computer firm is trying to establish brand loyalty. Other examples reflect companies in the agricultural inputs field. They offer free or subsidized seeds, fertilizer, pesticides through CSOs involved in the rural development field, in the hope of eventually selling more products.

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

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<td><strong>Why is giving relevant to my company?</strong></td>
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<tr>
<td>• Business cannot operate in isolation from society</td>
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<td>• Having a social vision is integral to the success of the business mission</td>
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<td>• A social investment strategy is a must for any progressive company</td>
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<td>• Qualified professionals increasingly prefer to work for a company with a social commitment</td>
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<td>• Customers show preference for doing business with companies that are environmentally conscious and socially driven</td>
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<td>• Communities and governments expect companies to be good corporate citizens</td>
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| **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 NGOs 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 NGOs 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 product |
| • You can provide technical know how, financial and management skills, media |
7.5. Overtures from the Corporate Sector

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

7.6. Limitations and Barriers

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

**Many Requests, Limited Resources**

Businesses will tell CSOs how many requests they get for funds. Usually they will say that most are consigned straight to the waste paper basket since such proposals are xeroxed form letters without any attempt to identify the interest of the business except as a writer of cheques. Businesses will tell CSOs that while they recognize the need and value of corporate social investment, CSOs expect them to underwrite the costs of so many activities that they would have to be professional donors to meet the requests. They may well say that the business of business is business and that no assistance at all will be forthcoming unless the business itself makes a profit.

**Corporate Structures and Responsibilities**

CSOs do not necessarily know who they should approach with their proposals. Unless a business has set up a business foundation, their funding decisions may be made by the marketing section, the publicity section, the director’s office, or even others. CSOs do not know to whom they must make their pitch, and may be
targeting the wrong person who does not have either the budget or the mandate to support the CSO.

**Business Unfamiliarity with SCOs and Community Issues**
It is important for CSOs to present themselves to business as fellow professionals. Business people know about their world, and CSOs know about their world. If businesses are interested in social investment, then it is important for them to realize that their best guide to this world is a citizens’ organisation.

**Time**
It is a cliché to say that “time is money” for a business person, but business people will not give a CSO a great deal of time to “sell” them an idea. CSOs need to rehearse their presentation and be ready with a short, hard hitting, and persuasive approach.

**Personnel Changes**
It may well be that the responsibility for corporate social investment resides with one person in the business, and that the CSO invests a lot of time and energy in educating that person about what should be done and what can be done—then the person is transferred. CSOs should, wherever possible, aim to get an organisational commitment to helping your agency rather than just the interest of an individual. This can be done by providing reports and encouraging visits from a range of people in the company.

**Stereotypes**
Do not try to involve a business in your CSO’s work unless you are prepared and ready to involve a business in your work and receive their funds (or other kinds of support). If you believe that all businesses are exploitative and corrupt, then it is hypocritical to invite them to get involved in your programmes. If you believe that a particular business is unethical (for instance, the tobacco industry), then do not approach them for funds, or respond to their solicitations. The request for, and the acceptance of corporate social investment is a two way process. It should be entered into by people who respect each other, and respect the value of what each other is doing.

It is likely that CSOs have strong stereotypes of the business world, and it is also likely that the business world has strong stereotypes about the SCO world. The first exchanges between the two are likely to need time for these respective prejudices to be aired, and dealt with. The Prince of Wales Business Leaders Forum, an international organisation committed to building more and better business/community partnerships, deals with the problem by trying for a one day workshop between Business and CSO leaders. At this workshop, each group is asked to brainstorm and list all the worst things about the other side, and all the best things about their side. Then the two sides show their respective lists to each other. A poignant silence ensues. Slowly each side, through facilitated discussion, sees strengths in the other side to which they can relate, and agrees
limitations on their own side. Once this period is over, working relations are built on solid and not prejudiced foundations.

CASE STUDIES
The three case studies in this section correspond to corporate philanthropy, business/community partnerships, and strategic business interests:

a. The Red Cross in Botswana,
b. Citicorp’s Banking on Enterprise in Bangladesh
c. The Philippines Business for Social Progress, Philippines

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

We started off by writing to larger businesses appealing to them to donate to us on an annual basis. We suggested Pula 5,000 for the larger companies, and reduced this amount where we felt it necessary. We did not expect any of them to give at this level, but if you suggest a smaller amount, they offer an even smaller sum. But it did give them an idea of what we were looking for. Some actually did come up with the amount suggested. Overall the response was very pleasing. And most who made a commitment did actually pay up. We enjoy popular support in the community as the Red Cross Movement, which makes it easier to persuade people to part with their money. It really is essential to have their confidence and for them to be aware of what you are doing; and also to keep proper accounts, and to supply audited accounts on requests if anyone wants to see them.

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

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

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

The main lesson learnt is the need to build the donor’s confidence—making people aware of our rehabilitation and relief programmes, our training centre for the disabled,
the work of our volunteers, and most importantly to convince them that the money they
give us will be well spent, that we are working with the most needy and doing the best
work. In Botswana we have far too many organisations appealing to too few donors. It is
therefore our job to persuade people that they could do no better than support our cause
because we will use the money the way that they would want it to be used.


Citicorp’s Banking on Enterprise

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

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

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

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

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

From: Responsible Business—A Financial Times Survey
Philippines Business for Social Progress

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

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

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

8: BUILDING RESERVE FUNDS AND ENDOWMENTS

8.1. Building Reserve Funds

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

Reserve funds can be built up from the following sources:

- Money raised from the general public (or other fund-raising ventures) which is not needed for immediate operating expenses - usually because the programme operating costs are being provided from another source.

- Money that the NGO has saved on contracts that it may have undertaken for donors or government

- Money that NGOs have received from fees for service

- Money that the NGO has saved from financial dealings (income from exchange rate fluctuations, or from short term investments of funds received from foreign donors)

- Money received from management fees or a management overhead as part of a foreign funded project

- Contributions to the Reserve Fund (sometimes called a Corpus Fund)

Any money surplus to the CSO’s immediate needs can be put into a Reserve Fund, which is then invested to attract interest and increase in size. CSOs have the option of using these funds in a variety of ways. They can invest the funds in financial instruments locally or (depending on the banking rules in your country) off-shore. They can use the funds to invest in their own (or others) businesses. As was mentioned previously, however, CSO people are not usually very good business people, and lack experience and expertise in such fields. Theyu would be well advised to get professional help in how and where spare funds can be invested. In some cases they will need legal advice as to how such funds should be owned since, in some countries, NGO reserve funds will attract tax.
The practices of many donors, however, prevent such capital accumulation by CSOs. In many cases foreign donor funds are so tightly controlled that they do not allow SCOs to carry out any of the activities mentioned above. USAID, for instance, only provides funding on a one month or three month advance system such that there is no possibility of investing this money short-term, and indeed such investments are expressly forbidden. Any interest on money deposited in banks has to be returned to USAID if it is over US$ 250 per annum. With USAID allowed overhead costs are very tightly controlled so that they reflect real costs and allow nothing for organisational income beyond actuals, and USAID expressly forbids management fees to be charged by CSOs.

This is defended as wise stewardship of and fiduciary responsibility for USAID’s funds, but this clashes with the larger picture of trying to help CSOs to become self-reliant. There is confused thinking in USAID (and many other donors) about the real objective of their CSO funding - whether it is to be used to achieve USAID’s sectoral development objectives with CSOs as the delivery mechanism, or whether it is to be used to build a viable CSO sector to be able to achieve USAID’s sectoral development objectives in the long run.

At the same time, and on the plus side, USAID has pioneered some very innovative ways of encouraging CSO self-reliance by allowing CSOs to build up their Reserve Funds. They have done this by helping them to set up a system of
fees-for-service which produces income for the CSO, but then continuing to fund their operating and programme costs for a period of 5-10 years which allows the income from their fees-for-service to build up into a sizeable Reserve Fund which can then be invested. This is how PROCOSI in Bolivia, an innovative primary health care organisation, has been funded.

CSOs need to put the case to donors that there are a variety of ways in which long term organisational sustainability can be encouraged, but that in many cases their existing systems prevent this happening. The foreign donors have to reflect on their own thinking, as to whether they are using CSOs as their own development project delivery mechanism, or whether they are interested in building up a viable and sustainable citizen sector to be able to deliver development benefits into the future.

6.2. Endowments

As we have seen in the previous section, Reserve Funds can be invested to create an income stream for the CSO into the future. In this sense they become endowments. This section looks at funds which are used to set up an endowment as a deliberate policy of sustainable financing. While we usually think of endowments as money in the bank or in stocks and shares, endowments can equally be in property, land or equipment.

Foreign donor funds for endowments can be directed either at a particular SCO (in which case it is likely to be a large organisation to have the financial management skills to handle an endowment) or, more often, directed at a purpose built foundation which then acts as a source of funding for smaller CSOs. Whether the endowment is for the former or the latter, however, the requirements are similar:

**Trust by the Foreign Donor in the SCO's (or Foundation's) Long Term Future**

A donor has to be convinced that the governance of the CSO or Foundation will not modify the aims and mission of the organisation once an independent income stream is acquired. This requires either a long term relationship between CSO and Donor, or very tightly crafted legal articles of association for the CSO or foundation, or both.

**Very Competent Financial Management Skills by the SCO or Foundation**

The CSO or Foundation has to know how to plan and manage investments which will maximise income, but at the same time provide an income flow of the size and at the time that it is needed. It has to know the respective advantages of investing locally or off-shore and of complying with all local laws and regulations, and it has to be able to deal, in many countries, with very volatile money markets and rates of inflation.
A Supportive Legal and Fiscal Environment
This basically means a situation where the governance of the CSO or foundation is inviolate from invasion, and where the SCO or Foundation will be free from taxes.

Donor Rules and Regulations which Allow this
At the time of writing, for instance, CIDA is unable to use its funds to set up endowments for CSOs because its Treasury Board rules do not allow it. USAID did not use to allow it, but changed their rules by Act of Congress in 1998.

Time
Setting up an endowment is not in any way a quick fix for a CSO’s funding problems. It requires a lot of preparation, and training of staff for new roles, or hiring of new staff. In the case of a Foundation which is intended to deal with the civil society sector as a whole, even more time is required because the civil society organisations as a whole need to agree to its setting up and a long participatory process of consensus building needs to be undertaken.

6.6. Comparison between Grant Funding and Endowment Funding
A donor who is requested for an endowment has to consider not only the priority it places on building financial self-sufficiency for the SCO or the citizen sector, but also to consider the alternative uses of its funds.

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

The diagram below illustrates the difference from the donors perspective of making an annual grant of $50,000 to a CSO, or making an endowment which will result in the CSO receiving interest of $50,000 based on a 5% rate of interest. A conservative rule of thumb is that a CSO might get 5% real interest on its investment after allowing for inflation and the cost of managing the money. This may seem surprising given the high rates of interest being offered for term deposits in many banks in the South, but inflation can undercut these advantages.
As can be seen, a donor has to think about tying up $1,000,000 in one organisation, as opposed to funding 20 organisations at $50,000 per year. On the other hand, an endowment strategy will result (if well managed over a 20 year time frame) in 20 autonomous and self-reliant organisations at the end of that time. A grant making strategy will only result in the same 20 organisations being as donor dependent at the end of 20 years as they were at the start.

**CASE STUDY**
The Case study that illustrates Building Reserve Funds and Endowments is a. The Foundation for the Philippines Environment

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

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

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

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

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

9. CONVERSION OF DEBT

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 HIPC (Highly Indebted Poor Countries) Initiative which 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 organisations to “buy debt” in foreign currency at a discount, and 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.

9.1. Background to National Debt

Many countries in the South have borrowed hard currency from sources in the North. These sources may have been commercial banks, countries (i.e. bilateral aid organisations), 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 to ever be able to repay those loans. 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.

9.2. Repaying Hard Currency Debt in Local Currency at a Discount

Since the creditors know how unlikely it is that they will ever be repaid in full in hard currency, a secondary market has grown up in which buyers offer to purchase the hard currency debt at a discount - i.e. at a fraction of its worth in
hard currency, but to receive the full amount of the original debt converted into local currency. 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.

Because this idea is attractive to a southern country (which is thus freed from the problem of finding hard currency to pay its debt) it is possible to negotiate some conditions along with the debt conversion. These conditions usually involve a development agency (often an international NGO) which wants to:

a. persuade the creditor to allow the local currency generated to be used for development purposes
b. persuade the Ministry of Finance in the southern country to allow the local currency funds generated to be used for some agreed development purpose.

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

a. The creditor (a northern commercial bank, bilateral aid agency, or a multilateral agency)
b. The southern country’s Ministry of Finance which has legally engaged in the borrowing and the promise to repay
c. A northern NGO which offers to negotiate a debt conversion provided that a developmental use of the local currency generated can be agreed
d. (usually, but not essentially) A southern citizens’ organisation or Foundation which will act as the custodian and manager of the local currency fund generated.

The transactions involve the following steps:

1. A northern NGO persuades the northern creditor to accept that it is not going to be repaid in hard currency, and either cancel its demand for repayment in hard currency and accept local currency, or 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 is prepared to accept the local currency, then the northern NGO persuades the debtor to donate the local currency amount to a development purpose in the southern country to be managed by a northern NGO.
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 sale that the local currency generated be used for a development purpose to be managed by a northern or southern NGO - 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 (e.g. land, or a building) linked to a development purpose.
4. 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.

An example of how this might work is:

1. A northern NGO persuades a northern donor to give it $200,000 to purchase $500,000 worth of a southern country’s hard currency debt on condition that the southern country makes available to the northern NGO the equivalent of $500,000 in local currency or some assets worth $500,000 agreed to be used for a specified development purpose.
2. The northern NGO persuades the southern Ministry of Finance to thus convert its debt and set up the legal and fiscal structures for $500,000 worth of local currency (or its equivalent in other kinds of assets) to be managed in the Southern country by the northern NGO or a southern NGO identified as part of the negotiations.

Examples of how this has worked have been:

a. UNICEF bought discounted debt from the Government of Zambia on condition that the Government of Zambia made available the agreed local currency equivalent to UNICEF in Zambia (and the NGOs with which UNICEF works) for children’s programmes.

b. Conservation International bought discounted debt from the Government of Bolivia on condition that the Government of Bolivia agreed to set up a national park and allow the local currency generated to be used for the funds required to manage it.

b. The World Wildlife Fund/USA (now Worldwide Fund for Nature) with funds from USAID bought discounted debt from the Government of the Philippines in order to set up an endowed Filipino foundation for grant making to Filipino citizens’ organisations involved in environmental protection (see case study of the Foundation for the Philippines Environment later).

Funds generated by this strategy can also be augmented by funds that have been created in the south from money generated out of in-kind gifts from Northern donors - typically food aid. The USA, the EU, Canada, and a few other countries which have provided food aid have usually made it a condition that funds generated from sales of such food aid be kept as a separate fund for development purposes.

It can be seen that northern NGOs can 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 citizens’ organisation, or
can create, through an endowment, a sustainable source of southern citizens’ organisations’ funding for the future.

9.3. Difficulties and Complexities

As can be seen, however, there are considerable difficulties and complexities involved. Some of these are:

1. Decisions to allow such discounted debt sales and put the local currency generated into the hands of NGOs are intensely political both in the North and South. The NGO which 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 NGOs, north or south, are familiar with.

3. The negotiations, the agreements, and the processing of the paperwork takes a long time—perhaps two years—during which time the northern NGO 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 NGOs then it is likely that the structure for this has to 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 citizens’ organisations have been generated in this way involving converting debt to Germany, Canada, Switzerland, France and Belgium and creating new funds for citizens organisations in the Philippines, Bolivia, Zambia and Jamaica. Much of the pioneering work has been done by environmental NGOs who have popularised “debt for nature” swaps, and a specialised NGO to advise other NGOs in this field was created in the USA called the “Debt for Development Coalition”.

CASE STUDY

The case studies to illustrate this strategy of Debt Conversion are:

a. Foundation for a Sustainable Society Inc., Philippines,
b. Environmental Foundation of Jamaica.

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<td>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...</td>
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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 NGOs, people’s organisations, cooperatives and similar private organisations 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 NGOs, and its resources are exclusively being allocated to civil society organisations
• 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 NGOs.

Several important lessons were learnt from this experience. Firstly, it is clear that close coordination and permanent communication between organised NGO 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 NGO communities) with sometimes differing interests. Thus transaction costs tend to be rather high, and the donor government or NGO 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 NGOs 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 NGO may get some important information from its government on the Southern Government’s negotiating position that it can pass onto its NGO 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 NGOs. Thus it is all the more important to have strong NGO 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 NGO 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 NGO 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 NGO representatives are not permitted to sit at the negotiating table.
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 NGOs. 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 NGOs, 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 NGOs and community based organisations. 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 NGOs works well in spite of its novelty and initial differences in age, size, and degrees of organisation. The older development agencies were fairly well organised, 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. NGOs 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 NGOs 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 NGO community and their umbrella organisations, the EFJ has been a valuable experience. Grasping the opportunity for collaboration on several fronts and showing patience and persistence, the NGOs 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.
10. MICRO-CREDIT PROGRAMMES

10.1. Credit for the Borrower, Income for the CSO

More and more CSOs are running micro-credit programmes, often inspired by the example of the Grameen Bank in Bangladesh, and the publicity generated by the Micro-Credit Summit. The objectives of such programmes are to build micro-enterprises (possibly moving into small enterprises) and help poor people to build a sustainable income for themselves. They do this helping the borrowers to work together in groups to mobilize capital from amongst the group and take collective action. The group of borrowers is also, in many programmes, urged to address social issues.

The attractive feature of micro-credit programmes which are well run is that they are sustainable since they rely on money being loaned out and repaid with interest - and thus available to be loaned again, or loaned to others. Micro-credit programmes can, however, be a source of income to the CSO beyond the cost of the micro-credit programme—and thus micro-credit programmes become a special kind of “Revenue from Earned Income” (see Chapter 1)

The thinking behind this is that micro-credit programmes can have two outcomes:

- Benefits to the micro-entrepreneurs 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 SCO running the micro-credit programme which can:
  - get the original loan repaid,
  - get income through a service fee charged to the borrower for running the micro-credit scheme
  - use any surplus funds generated by the micro-credit scheme for other work of the CSO.

A good micro-credit program also produces benefits to the community in that it reduces the power of local money-lenders, and mobilizes the financial power of many small savings.

Usually CSOs running micro-credit programmes receive an original grant from a donor to set up a micro-credit 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 - like training.

If the CSO designs the repayment structure slightly differently, it is able to generate enough money to cover all the costs of the savings and credit operations, as well as make a small surplus which the CSO can use for other programmes or to pay for its overhead costs.

It might be argued that a CSO should not charge more than the bare minimum needed to cover the costs of the savings and credit programme: since the target is the very poor, anything beyond that is exploitation. We need to go back to the arguments made in the chapter on “Revenue from Earned Income” - poor people are prepared to pay the costs that a CSO charges for a service, providing the service (in this case, credit) is available where and when they want it, is flexible, professionally run, in the amounts they need, and within their power to repay.

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 wishing to undertake a savings and micro-credit 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 citizens’ organisations 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 targetted to people limited by both geography and income level.

10.2. Going Beyond Linked Savings and Credit

If, on the other hand, the CSO wants to become a Micro-Finance Institution (MFI) and optimize its income from operating as a financial institution so that it can
bring income into the organisation 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.

It will need, very probably, to receive deposits from people who are not necessarily borrowers to increase the amount of capital it can mobilize. It will, also, very probably, require the CSO 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 very probably, have to design and sell a variety of financial services (like house loans, cattle loans, agricultural loans) to meet customers’ requirements. It will, of course, have to continue to be very professional in its original operations—and now 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 setting out standards for those institutions that are allowed to receive deposits. This usually requires a minimum level of capitalization which is beyond most CSOs. In many cases micro-finance institutions are protesting these rules and seeking changes in government laws and policies which will allow the expanding number of CSOs entering this field to take deposits, and earn income from this. The legal statutes were originally designed, however, to prevent crooks taking customers money and running off with it. CSOs which want to take deposits will have to prove that they are competent enough to be able to pay out customers’ deposits on request.

10.3. Key Issues
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, then 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 credit worthiness?
Legal Identity
Will you set up a separate financial intermediary organisation, 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 credit worthy?

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?

10.4. Bank Guarantees
One of the most interesting services offered by foreign donor agencies who are enthusiastic about helping CSOs sustain themselves through providing financial services is the idea of bank guarantees. Donor agencies (local or foreign) can agree with a local bank that loans taken out by CSOs (or MFIs) from it will be guaranteed.

RAFAD in Switzerland has pioneered a further extension of this work. The first step is to link the bank used by a micro-finance 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 cannot repay the bank from which it borrowed money.

IRED (Institut pour Reseaux et Developpement) which gave birth to RAFAD has produced an interesting 13 Stage process for an SCO which wants to take on the role of an MFI: this ties in very closely to the Chapter on Earned Revenue.

RAFAD’s 13 Stages Leading to Greater Financial Autonomy

1. Creation of the NGO and development of its links to grass-roots or community based organisations (GR/CBOs)
2. Development of the GR/CBOs’ resources with the NGO helping them to do this.
3. Initial sales of products and services by the NGO
4. Establishment of a capital reserve fund, using profits from sales and services
5. Local Fund-raising
6. External fund-raising 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 NGO 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 NGO with, if necessary, bank guarantees from international finance institutions (e.g. RAFAD, Women’s World Banking)
13. Direct access to credit from local banks.

CASE STUDIES
The case studies for the section on Micro-credit Programmes are
a. Shri Mahila Sewa Sahakari Bank, India
b. Kenya Rural Enterprise Programme

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 organisation, 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 4,000 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 6,000 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.

*From: Sustaining Civil Society—Strategies for Resource Mobilization. CIVICUS. 1997*

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**Kenya Rural Enterprise Programme**

The Kenya Rural Enterprise Programme (K-Rep) is a private microfinance institution registered as an NGO. Its mission is to facilitate poverty alleviation by developing systems and institutions that will enable poor people to organise 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 micro-finance 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 NGOs lack the capacity to serve as effective financial intermediaries. In part this is because the corporate image of NGOs elicits scepticism in the minds of the community, clients, the government, and particularly other institutions in the financial markets.

Second, NGOs 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 microfinance, and no experience with an NGO owning a bank. And the banking industry in Kenya had been badly hit by a significant number of bank collapses which 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 organised 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 micro-finance.
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 share holder 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 NGO and the bank.

During the course of these negotiations, the bank supervisor agreed to consider special legislation for micro-finance 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 micro-finance institutions in Kenya.

*From: Sustaining Civil Society—Strategies for Resource Mobilization. CIVICUS. 1997*
11. SOCIAL INVESTMENT

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

Unfortunately many CSO project ideas may well be viable, but 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, 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”) - that is organisations which have set up funds to lend money to CSOs which prioritize social and environmental considerations. Such funding organisations broadly share the two following characteristics:

- they tend to serve social economy organisations and small or micro enterprises which have social or environmental objectives
- they finance sections of the population, projects, sectors, or regions which have been abandoned by the traditional banks or financial institutions.

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

The organisations which 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 organisations to become financially self-reliant is better than allowing them to become dependent on grant funding.

11.2. Social Investment Organisations
There are presently over 40 social finance organisations from 21 countries (both North and South) who have identified themselves as such actors. They have a co-ordinating 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

CASE STUDIES
The Case Studies for Social Investment are
a. Tabora Beekeepers, Tanzania and Shared Interest, UK
b. The Triodos Bank (UK, Belgium, Netherlands)

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**Tabora Beekeepers, Tanzania and Shared Interest, UK**

Tabora Beekeepers is a co-operative of 2,500 beekeepers in Tanzania. They needed hard currency to buy the imported drums to ship their honey to Traidcraft, a fair trade organisation based in the United Kingdom. Traidcraft had already paid them the maximum advance possible so Shared Interest stepped in to help with a direct loan to Tabora of GBP 20,000 to be repaid when the honey reaches Traidcraft.

*From: Sustaining Civil Society—Strategies for Resource Mobilization, CIVICUS.1997*

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**The Hivos-Triodos Fund**

The Hivos Foundation is a Dutch humanistic development NGO 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 organisations 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 micro-credit programmes. Hivos was already involved in micro-credit and had contacts with potential clients in the South because of its decentralised 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 fulfil 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 micro-credit 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 organisations’ cultures. For example, the minimum level of finance request considered acceptable by Triodos fund managers was 100,000 fl. (£32,500) 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 which has resulted in increased trust and respect for each others’ expertise over time.

The original expectation of the partnership was to generate a self-financing joint fund of 35 million fl. (£11.4 million). In fact only 10 million fl. (£3.2 million) has been generated to date and Hivos is continuing to subsidise the programme.

*From: INTRAC Workshop Report—NGOs and the Private Sector, 1998*
12. USE OF THE INTERNET

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, phone calls, adverts, 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 get, suggests a different way of working. Without doubt the Internet can be useful to CSOs in a variety of ways – is resource mobilization one of them?

12.1. Announcing/documenting your CSO

The Internet provides CSOs with opportunities - some of which have the potential to mobilize resources. The biggest one is simply the opportunity to communicate who the CSO is and what it does. A CSO can establish a web page that clearly and competently provides information on its structure, its programs, its plans, which documents what it has done and what it would like to do. If it does this it has set up the possibility of attracting interest from the internet browsing public. If it goes further and specifically solicits funds or seeks volunteer support and informs people how they can help the organisation, it is providing an electronic version of some of the fund-raising devices 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 web-site as a virtual point of contact, as a way in which you can inform those potentially interested in your organisation, and consolidate information for those who definitely are interested in your organisation.

This, however, presupposes that you are able to get close enough to someone (or some organisation) to tell them that you have a web-site, and that the web-site is informative and communicative. In general, however, the Internet is not targetted: once a web site is established, you hope that someone will visit it, and read the contents, but you have to leave that up to them. There is no face to face contact. The most that you can do is publicize the existence of the web page and encourage people to visit it. If they do, the CSO has a tremendous opportunity to educate and inform the visitor about the CSO’s mission, programs, activities, track record, and future plans. These are all very important aspects of the information that might persuade someone to support your CSO.

Just as with brochures (see Chapter ?) you will decide what language to write your web site in, and how to present the information. You will have to decide if you are directing your website at fellow countrymen or foreigners. In this, the website is an advertisement for your organisation, and you will have to think through who you want to read/see that advertisement.
Websites can also be set up by organizations that are not trying to attract funds to their own organizations, but are trying to persuade web browsers to give to a worthy cause. An example is an Indian organisation called Hughes Software Systems which is in business as “Partners in Building Global Communications Solutions”. They set up a part of their website www.hssworld.com as a fund-raising device for the droughts in India in early 2000. Visitors to the website were encouraged to click on a button saying “send H2O” at which point they were offered an opportunity to send money for the relief of a variety of natural disasters in India by contacting Charities Aid Foundation India who would receive and forward funds. The organization acted as a stimulus to get web site visitors to give, and suggested to which organizations they could give and how it could be done.

12.2. Who will visit your web-site?

Obviously, only those with access to a computer will visit your website – and this breaks down into those who own a computer (or whose organisation/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. Since computer ownership and use is hugely greater in the north than the south it is likely that visitors to your web-site will be from the North, providing that the language is once common in the north. If your web-site is written in Chinese or Thai or Indonesian it is pretty clear that you will only attract fellow country men or women (wherever in the world they may be), and the numbers are likely to be smaller. Many people in the computer business are concerned about the huge disparity between computer use north and south, (it 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 country men/women, provided it is in a language they understand.

It is also likely that people are visiting your web site through the use of a “search engine” – i.e. an index tabulated by country, topic or key word. People can “browse” the internet by using such machines, and their browsing may lead them to your CSO. In Zambia an organisation called CHIN (Children in Need) acts as a coordination and liaison secretariat for 50+ organisations working with children affected by HIV/AIDS – children who either have AIDS, or are suffering from the effects of AIDS on others (parents, care-givers, members of the community). CHIN started a web site to make easily available at one point all the information on the activities of its member organisations, and thus publicize their work. To its surprise it started receiving messages from foreigners who had visited the web-site, found out about the work of members organisations, and were interested in making financial donations. The web-site was not set up for that purpose, but found itself accessible to anyone who keyed in “Zambia” and “children” and browsed the results. There are, it seems, people in the world – particularly in the North – who spend at least part of their time doing this.
The possibility of seeking charitable donations from people in the North directly (as opposed to seeking them via Northern NGOs) is thus a very real and expandable possibility. In essence this is not, however, very different from child sponsorship programs 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 fund-raising component to any work that you do to document your CSO on a website.

12.3. The Range of Local Resource Mobilisation possibilities via the Internet

Save money on communication
Once your CSO owns a computer (and for many CSOs that is not a high priority unless someone gives them one), and providing that you have a competent local service provider who connects your country to the satellites, then you may well find that you can communicate much more cheaply by email than by fax and phone – and possibly letters. The communication will certainly be faster than letters – but, of course, it can only go to people who also have computers. As we have said the number of these is growing fast. In Eastern Europe email between CSOs is the standard method of communication. As CSOs were created in the aftermath of the fall of communism, they moved straight into the Internet. In many rural parts of the South, this is all a pipe dream, however, since there is no electricity, or phone connection, let alone computer or internet connection.

Use of the emails and internet to save money does, however, require discipline. You pay the service provider by the time spent connected. It is easy to spend a lot of time on the Net because it is so interesting.

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” i.e. a linked series of addresses who all receive the same information. If you are interested to plan a joint activity, or merely to find out what other people have done when faced with a similar situation, emails allow you to be in touch with a lot of other people simultaneously.

Learn/get informed
The possibility of entering a structured learning experience (joining a “virtual” training course) or simply gathering information pertinent to your CSO’s work is greatly enhanced by use of the internet. There is a “virtual” NGO Management Course offered between ORAP in Zimbabwe, BRAC in Bangladesh, and SIT in
the USA, most of which is conducted on the Internet. It is likely that such means of learning will grow greatly in the future.

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 web-sites in a new spirit of transparency and openness: huge amounts of information are available, for instance, from the World Bank’s web-site – probably more information than you would be able to access in your own country.

Campaign
If you put together a combination of networking and information, you have a very useful tool for campaigning. In any advocacy effort you need information – particularly information on existing policies and on new events that challenge existing policies: and you also need supporters and members of coalitions who are both informed and committed. The Internet provides a powerful tool for seeking, finding, and working with such people to campaign for a particular issue. Providing people regularly read their mail, the Internet can also work as an instrument for very topical information – which room to meet in at Parliament to lobby for the new bill, which place to visit to see the effects of industrial effluent.

Members of the network or the campaign coalition can also post the information that they have on the topic – reports on the human rights abuse, documents on the corruption unearthed, suggestions for new laws. Apart from providing information for fellow campaigners, powerful information can be a means of energizing fellow citizens and getting them committed to campaigns to write wrongs. And if secrecy is needed, the democratic internet provides for a peoples encryption service <www.hushmail.com>

Market your products
If you have decided that you want to generate revenue for your organisation 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). Particularly if your organisation is involved in export trade (see CORR – The Jute Works or Tabore Bee-keepers in this book), then there are many ways in which the internet can help you to produce a catalogue for customers to read on your web-site, and for them to order goods from you. Just as there are alternative marketing organisations (AMOs) which try to sell handicrafts from the South in the North, there are now “virtual AMOs” (see <www. PEOPlink.org> for North America)

Make proposals to local supporters
If you are making proposals to possible funders in your own country (governments, businesses, local foundations) it makes sense to do this formally by email, after you have had the face to face discussions and consider that the
time is ripe. 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.

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 web site offers a way for you to announce your needs 24 hours a day, 7 days a week. Once you have made the announcement, you do not need to further spend time soliciting help. The problem, as mentioned previously, is to try and make sure that the sort of people you are trying to attract visit your web-site

Keep records
If you are working in the Micro-credit field, for instance, you will need to keep detailed records on borrowings and repayments, and these will have to be sent from the field to head office. If you are in the election monitoring business, data needs to be assembled, kept, and transmitted. If you are part of a campaign documenting costs of raw materials or a daily shopping basket, or water quality. If you are engaged in novel information gathering on such topics as the number of hours teachers actually teach, the number of people arrested for a particular offense, the number of people with a particular disease, then the Internet provides a ready way to keep your documentation and pass it onto others.

12.4. Limitations and Barriers

Money
Computers cost a lot of money to buy, and a lot of money to repair if they fail. After you have the computer you have to have a modem, a printer, and very possibly in the South a UPS (Uninterrupted Power Supply). Then there are the monthly costs for the Internet Service Provider. A CSO has to balance whether the advantages that Internet access brings are balanced by the costs

Quality of the Web Sites
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 web site 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 are not impressed, and are not likely to support your CSO

Informing People where to find you
If you have webpage 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 web site easily. It is useful to ask your service provider to tell you how many visitors you have had at your web site.
Ready arguments to counter retractors
It is very possible that people in your country will accuse you of unnecessary luxury and irrelevant expenditures if you promote your organisation through the Internet. You will be asked to defend yourself as an organisation helping the poor and the powerless and also using computer technology. There is enough suspicion about CSOs in the general public in your country for it to be likely that you will be accused of being a “PC and Pajero NGO”. It is for you to think this through and decide for your self the advantages for your organisations mission of working the Internet. Once you have worked this out for yourself, 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 organisation in ways described above, but it can also waste huge amounts of time, and incur considerable on line costs.

12.4. It may yet come to you

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. Others of them are unlikely to be adaptable to your country, culture, and level of technology.

Most of the examples in the North that help to raise money for the South are run by organisations that act as intermediaries. They identify worthy causes, they set up a web site and they offer to guide web browsers to worthy causes that should be supported. One of the newest and largest is run by the UNDP, called NETAID (www.netaid.org). This non-profit organization identifies (mostly Northern) organisations that are working in the South and helps web browsers to make donations to them – either by donating to NETAID itself, or by contacting the named organizations directly. NETAID allows you to donate on line via a credit card – something which would be impossible in many countries in the South.

Sometimes NETAID will tie in with a particular newspaper story or TV film that has been directed towards Northern (often American) audiences, and allow people interested in that topic to make donations. When Time ran a story on maternal mortality in Ruanda (and CNN subsequently made a film about it), then the International Rescue Committee opened up a page within NETAID called the Survival Project which offered web browsers the chance to buy a birthing kit for use in Rwanda. According to the US Journal of Philanthropy, visitors to the web site contributed more than $160,000 in the first two and a half weeks.

One organization calls itself “The Virtual Foundation” and specializes in online philanthropy. It works mostly in Central and Eastern Asia and acts as a broker between community groups who want to carry out a project (often in the
environmental field) and funders in the North. It acts in the same way as a child sponsoring organisation, but is actually a project sponsoring organization.

Perhaps the last word (in 2000!) is the Hunger Site which announces that it will give 5 cups of food to the World Food Programme for every visitor who logs on to the Hunger Site.

CASE STUDIES
The first case study illustrates Internet use for philanthropy in India, and the second is from the USA:

a. Hughes Software Systems India
b. The Virtual Foundation

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 Gujrat. 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 Gujrat 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 wheerin 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 Gujrat

**Aid Delayed is Aid Denied**
If you would like to contribute to Drought Relief, please click here.

*If you click there, you get 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 Gujrat 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 Web site of HSSworld*
*<http://www.hssworld.com/peoplenet/working@hss/sendh20.htm>*

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**The Virtual Foundation**

The Virtual Foundation is a unique online philanthropy program 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 organisation 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 (NGOs) 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 web-site 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 (i.e. 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.

*From the website* <http://www.virtualfoundation.org>
PART THREE: DECIDING WHICH WAY TO GO
1. NEXT STEPS

This handbook has illustrated 11 different ways by which a CSO can acquire resources or generate resources to support its work. The CSO which is interested to move from its present likely strategy of dependence on foreign grants into one (or more) of these alternative strategies, has to consider which is the most relevant and suitable for their own case.

It is very important to remember that any of these alternative strategies will require serious changes in the structure and management of the CSO. They will require new sections, departments, skills, staff, and even philosophies. They will probably only be undertaken by organisations which are deeply dissatisfied with their present strategies for resource mobilisation and see the need for change in sharp definition.

1.1. Strategic Planning

Because of the far-reaching and fundamental nature of the changes that are required in CSOs moving into some of these alternative strategies, it is sensible to link such a move with a strategic review of your CSO and a strategic planning exercise which re-examines the following features of your CSO:

- Vision
- Mission
- External and internal environment
- Alternative strategies
- Programmes and projects.

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 organisation to move forward convincingly with a new resource mobilisation 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 that the new work entails. Others still may need re-training.

1.2. Donor Education

It is important, if possible, to keep one of your important stakeholders on board in this transition - that is the foreign donor that you have been working with for some time. 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 them in this change. Many foreign donors, however, are stuck in a rut of serial project funding from foreign grants, and have not thought through how they can better support
NGOs by other means. In this connection, Richard Holloway’s publication “The Unit of Development is the Organisation not the Project” has this to say:

“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 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, therefore, considerable need to educate donors as well as citizens’ organisations about the value of alternative strategies for resource mobilization. Hopefully this Handbook, if it gets into the right hands, will go some way towards doing this.

1.3. Citizens’ Initiatives
While educating foreign donors is undoubtedly important, the onus lies with the CSOs, the organisations 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 in this book reflect strong citizens who have pioneered ways of working (and ways of funding that work) which owe more to their own initiative and social entrepreneurship than 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 DFID (UK) on Strengthening DFID’s support to Civil Society:

“Citizens’ organisations 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’ organisations 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. Citizens’ organisations convinced of the rightness of this approach need to start their walking: some suggestions to help them in their planning are:

- Consider the present situation of resource mobilisation in your organisation and clarify why you think it needs to change
- Identify which of the 10 approaches in this Handbook fits your organisation best, and why
- Clarify the steps that your organisation will take to move from the present to the new approach
- Identify the foreseeable difficulties
- Review the resources that you will need for the move
- Consider how long you think it will take.
Attachment

Further Reading

1. Setting the scene:

“Sustaining Civil Society—Strategies for Resource Mobilisation”. Edited by Bruce Shearer and Leslie Fox. CIVICUS. 1997


“Striking a Balance—enhancing the effectiveness of non-governmental organisations working in the field of international development” by Alan Fowler. Earthscan, London. 1997


2. Revenue from Earned Income

This contains further case studies, lists for further reading, and resource organisations.


This contains list for further reading and resource organizations


“Generating Revenue” by the International Federation of Red Cross and Red Crescent Societies, Geneva 1995

“A Handook on the Good Practices for Laws relating to Non-Governmental Organisations” by Leon Irish. World Bank and International Centre for Not-for profit Law (ICNL), 1997. (available on ICNL website—see below)

3. Resources from Indigenous Foundations

Chapter 3 “Foundation funding: venture capital for civil society” by Elan Garonzik, and Chapter 11 “Building Indigenous Foundations that Support Civil Society” by Bruce Shearer, in “Sustaining Civil Society—Strategies for Resource Mobilisation” edited by Fox and Shearer. CIVICUS.1997

This contains more case studies, lists of further reading and resource organisations.


Chapter 2 “Building Foundations” in “The Unit of Development is the Organisation, not the Project” by Richard Holloway, SAIS/JHU, Washington DC. 1997


4. Individual Philanthropy


“Mas Dinero para su Causa” by Daniel Kelley, Global Work Ethic Fund.


5. Resources from Government


“Pursuing Common Goals—strengthening relations between government and development NGOs” by the World Bank, Dhaka. UPL, Dhaka 1996

“Reluctant Partners” by the Overseas Development Institute, London. Routledge, London. 1993

*plus three other books in the set: “NGOs and the State in Asia”, “NGOs and the State in Africa”, “NGOs and the State in Latin America”*
“Confrontation, Co-operation or Co-optation; CSOs and the Ghanaian State during Structural Adjustment” by Ian Gary. ROAPE 68. London 1996


6. Resources for Sustainability from Foreign Development Agencies

“The Direct Funding of Southern NGOs by Donors—new agenda and old problems” by Bebbington and Riddell. Journal of International Development. 1995

“Striking a Balance—enhancing the effectiveness of non-governmental organisations working in the field of international development” by Alan Fowler. Earthscan, London.1997

“How New Funding Mechanisms could be used to support Civil Society—a preliminary study of existing experience” by Leslie Fox. Synergos Institute, New York, 1994

- “Sustainable Financing—background paper”
- “Endowments in Africa—a discussion of issues for using alternative funding” mechanisms to support agriculture and natural resources management programmes
- “Basic Guide to using debt conversions”
- “Checkoffs (Voluntary Levies): new approaches to funding research, development, and conservation programmes”
- “Sustainable financing: framework, concepts, and applications”

“Autonomous Development Funds” Development Dialogue No 2. 1995

7. Resources from the Corporate Sector

Chapter 8: “Engaging Corporations in Strengthening Civil Society” by Laurie Regelbrugge in “Sustaining Civil Society—strategies for resource mobilization” edited by Fox and Shearer, CIVICUS. 1997


“Global Corporate Citizenship—rationale and strategies” by Logan, Roy and Regelbrugge. Hitachi Foundation. 1997

8. Building Reserve Funds and Endowments


9. Conversion of Debt


10. Micro-Credit Programs


“Successful Rural Finance Institutions” by Jacob Yaron. World Bank Discussion Papers no 150. 1992

11. Social Investments

“From Transition to Consolidation” by Ann Hudock, JHU/SAIS. Washington DC 1997


“Programme Related Investment” by Renz and Massarky. Foundation Center, New York. 1995

"New Sources of Borrowing for Charities" by M. Hayday. In Charity Finance Yearbook, 1997

12. Internet Fund-raising

Strategic Planning, Donor Education, Strategic Initiatives

“Resources for Success—a Manual for Conservation Organisations in Latin America and the Caribbean” by The Nature Conservancy

This book covers some of the same ground as the present Handbook but helps also with Strategic Planning and Financial Management.
Resource Organisations

Setting the Scene

International Fund-Raising Group (IFRG)
295, Kennington Road
London SE11 4QE
UK
Tel: 44-171-587-0287
Fax: 44-171-582-4335
Email: ifrg@ifrg.org.uk
Web: www.ifrg.org.uk
This organisation runs workshops on fund-raising and other aspects of resource mobilisation regularly in the different regions of the world in collaboration with local NGO support organisations. They also run training courses on specific aspects of fund-raising on request. They also have a data base of speakers and trainers who they worked with from all over the world.

The John Hopkins Centre for Civil Society Studies Comparative Nonprofit Sectors Study Project
Wyman Park Building
3400 N. Charles St.
Baltimore MD 21218
USA
Tel: 1-410-516-8957
Fax: 1-410-516-8233
Email: jh_cnpsp@jhu.edu
Web: www.jhu.edu/~ips/CNP
This project is conducting fundamental and statistical research on the non-profit sectors in 42 countries.

1. Revenue from Earned Income

Non-Profit Enterprise and Self Sustainability Team (NeSsT)
3104 Grindon Avenue
Baltimore MD 21214
USA
Tel/fax: 1-410-426-3671
Email: nesst@igc.apc.org
NESsT can provide trainers in this field.

The Philippines Business for Social Progress (PBSP)
3/F Magallanes cor. Real St., Intramuros,
Manila
PBSP has an international training programme (in English) which includes this subject.

2. Resources of Indigenous Foundations

Asia Pacific Philanthropy Consortium
Institute for East West Studies
Yonsei University
134 Sinchon-Dong
Seodaemoon-Gu
Seoul 120-749
South Korea
Tel: 82-2-361-3506
Fax: 82-2-393-9027
Web: www.iews.yonsei.ac.kr/appcic
This organisation produces research and mounts conferences on foundations.

Institute for the Development of Philanthropy (IDEPH)
Puerto Rico Community Foundation
Royal Bank Centre, Suite 1417
Hato Rey, Puerto Rico 00917
USA
Tel: 1-787-754-2623
Fax: 1-787-751-3297
This organisation mounts conferences on foundations.

National Centre for Non-Profit Boards (NCFB)
2000 L. St., NW,
Washington DC 20036
USA
Tel: 1-202-452-6262
Fax: 1-202-452-6299
Web: www.ncnb.org
This organisation produces many useful handbooks and manuals and organises conferences. It can also field consultants and trainers.

The Synergos Institute
100 East 85th St.,
New York, NY 10028
USA
Tel: 1-212-517-4900
Fax: 1-212-517-4815
Web: www.peopletopeople.org
This organisation has done seminal thinking and publishing on the idea of the CSRO—the Civil Society Resource Organisation. It has produced a Handbook on establishing foundations that will be available in late 1999.

3. Individual Philanthropy

Fund-raising from the public is a profession in the North, with many organisations offering training, consultancies, computer programmes, research, journals etc. Very few, however, have experience of doing the same in the South. Exceptions are:

International Fund-Raising Group (IFRG)
352 Kennington Rd.
London SE114LD
UK
Tel: 44-171-587-0287
Fax: 44-171-582-4335
Web: www.ifrg.org

National Centre for Non-Profit Boards
200 L St., NW, Suite 411
Washington DC 20036
USA
Tel: 1-202-452-6262
Fax: 1-202-452-6299
email: ncnb@ncnb.org
web: www.ncnb.org

Charities Aid Foundation
Kings Hill, West Malling,
Kent ME19 4TA
UK
Tel: 44-1732-520000
Fax: 44-1732-500001
Email: caf@charitynet.org
Web: www.charitynet.org

Venture for Fund-Raising
Unit 2009 Jolibee Plaza Bldg., Emerald Avenue
Ortigas Centre, Pasig City, Metro Manila,
Philippines 1605
Tel: 63-2-634-8889/90
Fax: 63-2-637-3545
Web: www.venture-asia.org
4. **Resources and Grass Roots Organizations**

**Inter-American Foundation**
901 North Stuart St.
Arlington Va 22203
USA
Tel: 1-703-841-3834
Fax: 1-703-841-1605
Web: [www.iaf.gov](http://www.iaf.gov)

**IRED**
3 Rue de Varembe,
P.O.Box 116,
1211 Geneva 20,
Switzerland
Tel: 41-22-734-1716
Fax: 41-22-740-0011
Web: [www.ired.org.ch](http://www.ired.org.ch)

**RAFAD**
CP 117, Rue de Varembe,
1211 Geneva 20
Switzerland
Tel: 41-22-733-5073
Fax: 41-22-734-7083
Email: [rafad@iprolink.ch](mailto:rafad@iprolink.ch)

**International Center for Not-for-profit Law**
733 15th St. NW (Suite 420)
Washington DC 20005,
USA
Tel: 202-624-0766
Fax: 202-624-0767
Email: [infoicnl@icnl.org](mailto:infoicnl@icnl.org)
Web: [www.icnl.org](http://www.icnl.org)
5. Resources From Government

NGO Unit
Social Development Family
World Bank
1616 N. St., NW
Washington DC 20036
USA
Tel: 1-202-477-1234
Fax: 1-202-477-6391
Web: www.worldbank.org

International Centre for Non-Profit Law
1511 K. St., NW, (Suite 703)
Washington DC 20005
USA
Tel: 1-202-624-0766
Fax: 1-202-624-0767
Email: infoicnl@icnl.org
Web: www.icnl.org

Commonwealth Foundation
Marlborough House
Pall Mall
London SW1Y SHY
UK
Tel: 44-171-930-3783
Fax: 44-171-839-8157
Web: commonwealthpa.org

6. Resources for Sustainability from Foreign Development Agencies

IRED
3 Rue de Varembe
P.O.Box 116
1211 Geneva 20
Switzerland
Tel: 41-22-734-1716
Fax: 41-22-740-0011
Web: www.ired.org

New Programme Initiative
USAID
Washington DC 20523
USA
7. Resources From the Corporate Sector

Businesses for Social Responsibility
609 Mission St., (2nd floor)
San Francisco CA 94105
USA
Tel: 1-415-537-0888
The Conference Board
845 Third Avenue,
New York, NY 10022
USA
Web: www.conference-board.org

The Hitachi Foundation
1509 22nd St., NW,
Washington DC 20036
USA
Tel: 1-202-457-0588
Web: www.cerritos.edu

The Prince of Wales Business Leaders Forum
15-16 Cornwall Terrace,
Regents Park,
London NW1 4QP,
UK
Tel: 44-171-467-3600
Fax: 44-171-467-3610
Email: info@pwblf.org.uk
Web: www.oneworld.org/pwblf
Southern Africa Grant Makers Association (SAGA)
P.O.Box 31667,
2017 Braamfontein,
Tel: 27-11-403-1610
Fax: 27-11-403-1689
Email: saga@wn.apc.org

8. Building Reserve Funds And Endowments

9. Conversion of Debt

Debt for Development Coalition
EURODAD (European Network of Debt and Development)
Rue de Joncker 46
B-1060 Brussels
Belgium
Tel: 32-2-543-9060
Fax: 32-2-544-0559
Email: eurodad@agoranet.be
Web: nt.oneword.nl

Swiss Coalition on Debt
Monbijoustrasse 31
CH-3001
Berne
Switzerland
Tel: 41-31-381-1711
Fax: 41-31-381-1718
Email: mail@swisscoalition.ch

10. Micro-Credit Programmes

The Micro-Finance Summit
c/o Results
236 Massachusetts Ave. NE (Suite 300)
Washington DC, 20002,
USA
Tel: 1-202-546-1900
Fax: 1-202-546-3228
Email: microcredit@igc.apc.org

ACCION International
120 Beacon St.,
Somerville, MA 02143
USA
Tel: 1-617-492-4930
Fax: 1-617-876-9509
Email: info@accion.org
Web: www.accion.org

The SEEP (Small Enterprise Education and Promotion) Network
1825 Connecticut Avenue NW
Washington DC 20009
Tel: 1-202-884-8479
Fax: 1-202-884-8392
email: dekanter@seepnetwork.org
web: www.seepnetwork.org

IRED (Institut pour Reseaux et Developpement)
Rue de Varembe
P.O.Box 116
1211 Geneva 20
Switzerland
Tel: 41-22-734-1716
Fax: 41-22-740-0011
Web: www.ired.org

RAFAD
CP 117, Rue de Varembe
1211 Geneva 20
Switzerland
Tel: 41-22-733-5073
Fax: 41-22-734-7083
Email: rafad@iprolink.ch

11. Social Investments

INAISE (International Association of Investors in the Social Economy)
Rue d’Arlon 40
B-1000 Brussels
Belgium
Tel: 32-2-230-3057
Fax: 32-2-230-3764
12. Use of the Internet

Strategic Planning, Donor Education, Citizens Initiatives

The Nature Conservancy
1815 North Lynn Street
Arlington, Virginia 22209
USA

Inter-American Foundation
901 North Stuart St.
Arlington, Virginia 22203
USA
Tel: 1-703-841-3834
Fax: 1-703-841-1605
Web: www.iaf.gov