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LOCAL CIVIL SOCIETY AND NGOS

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ACRONYMS

CFP – Coffee for Peace
CSOs – Civil society organizations
CVP – Coalition des Volontaries pour la Paix et le Développement
DRC – Democratic Republic of the Congo
FFS – Facilitating Financial Sustainability
GFCF – Global Fund for Community Foundation

IGP – Income Generating Program
INGOs – International NGOs
NGOs – Non-governmental organizations
PBCI – PeaceBuilders Community Incorporated
SAS – Stopping As Success
USAID – United States Agency for International Development

This document was produced in order to discuss how NGOs/CSOs could be financially sustainable after INGOs transitioned, but it is also broadly applicable to other actors raising funds for their organizations.
WHAT THIS DOCUMENT IS, AND WHAT IT IS NOT

It will probably not come as a surprise that there are relatively few free, widely available resources about how to access unrestricted funding. Most online sources seem to talk about “what” the funding landscape is and “why” foundations and other funders need to provide unrestricted funding, but there are little specifics on “how”, especially for those in a grantee position. This document seeks to fill that gap and provide tangible and specific ways to access unrestricted funding, especially for civil society organizations (CSOs), local or national non-governmental organizations (NGOs), or international non-governmental organizations (INGOs).

Unrestricted funding is a critical aspect of financial sustainability, particularly during the transition away from an INGO to a local or national CSO. Unrestricted funding is money that is raised or given to an organization without any predetermined purpose and is therefore free to be used however the organization needs. This document seeks to provide specific ways to access unrestricted funding, however, is not an exhaustive list. It operates under the assumption that the reader knows why unrestricted funding is essential, has a basic understanding of the current funding structures and systems, and agrees that they fail to provide widely available unrestricted funding. However, if the reader is new to fundraising or needs a refresher on unrestricted funding, What Are Restricted and Unrestricted Funds for a Nonprofit? on The Balance is a good place to start. Additionally, there are more resources at the end of this document that cover different elements of understanding and accessing unrestricted funding.

This document was developed as a part of Stopping As Success (SAS), implemented by a consortium consisting of Peace Direct, CDA Collaborative Learning Projects, and Search for Common Ground (Search), with support and funding from the United States Agency for International Development (USAID). SAS is a collaborative learning project that aims to study the dynamics at play when ending a development program, and provide guidelines on how to ensure locally led development. In doing this, SAS looks beyond the technical aspects of a transition strategy to identify examples that demonstrate a transition toward locally led development.

Based on feedback from partners and relevant stakeholders, this document was produced in order to discuss how NGOs/CSOs could become financially sustainable after INGOs transitioned and they no longer received INGO funding, but it also broadly applicable to other actors raising funds for their organizations. This resource was shared at SAS’ Nairobi regional review meeting in September 2019 and has been adapted based on the gracious feedback of the participants. In addition to the participant’s lived experience, this document is informed by the SAS case studies and a review of literature, sectoral publications, and more.

SAS advocates for systemic change in the aid and development sector and stands behind the wider call to transform the sector to shift the decision-making, power, and accountability to local and national leaders and organizations. However, this document seeks to support people navigating the system as it stands. It is our sincere hope that this document will not be relevant in the coming years.

WHAT DOES SAS MEAN BY ‘LOCAL’?

The term ‘local’ has different connotations in different contexts and is a contested term. In the context of SAS’s research, ‘local organization’ is used to refer to CSOs or NGOs in the global South that are undergoing a process of transition in their partnership with an INGO. This encompasses organizations that work at the local and national level. The broader term ‘local actors’ recognizes the diversity of this group, which can include individuals, communities, newly created NGOs or CSOs, NGOs that have devolved from an international federation, or local and national governments.
ESTABLISHING A BALANCE: MOVING AWAY FROM TRANSACTIONAL RELATIONSHIPS TO AUTHENTIC PARTNERSHIPS

One of the key aspects of transitions that has come up through the SAS research is authentic partnership. Although this document will not go into detail regarding partnerships, it is important to note that the current pathways to access funding and how those processes are maintained are often transactional with the decision-making power sitting with the donors and not the partners who are affected by the aid or development program.

Another challenging element of the current aid system is the existing competition between INGOs and NGOs/CSOs, which creates a crowded funding landscape. While INGOs compete with local and national entities for unrestricted funding, strict donor requirements can lead to a system that is difficult to navigate for local and national entities. In some cases, there is a perception of low legitimacy amongst lesser-known organizations, and donors may not want to take that risk. Additionally, some local organizations become “mini me” organizations, operating similarly to the previous INGO, and they compete with grassroots organizations not connected to a larger INGO. These elements are not without challenges, however, INGOs have a unique role to play in connecting local and national organizations to donors and partnering with local and national entities to support their capacities, strengths, and needs when it comes to accessing unrestricted funding. However, this must be managed collaboratively and in authentic partnership otherwise there is harm that may be done. For INGOs, When international NGOs try to “help” local ones and fail in African Arguments offers some practical solutions when seeking to partner with local entities. For smaller NGOs/CSOs, How to compete for funding against larger NGOs in the Atlas Corps provides guidance on how to navigate the current funding system.

FUNDING FOR INNOVATIVE, FLEXIBLE, IMPACTFUL WORK: HOW TO ACCESS UNRESTRICTED FUNDING

The existing transactional nature of the current funding system means that, while unrestricted funding is essential, it is oftentimes difficult to access. However, although unrestricted funding is important, it is not a guarantee for financial sustainability. It is important to diversify an organization’s funding streams as well as secure long-term, multi-year grants. Each organization and the context in which it operates is unique, therefore it is important for people within organizations to work together to determine what will be the most effective and sustainable fundraising path for them to take. In addition to this document, see SAS’s Practical Guidelines to Financial Sustainability for more considerations on financial sustainability.

Below is a compilation of different funding models that are examples of how to raise unrestricted funds. One of the challenging aspects of compiling this resource is that many avenues to unrestricted funding are context specific. Therefore, a suggestion is to share this resource with colleagues and work together to determine what combination of these funding models makes the most sense for the organization. Although it is not a complete list, SAS hopes that these ideas will help fuel creativity and collaboration within the organization to identify and access previously undiscovered funding streams. Additionally, at the end of the document there is a list of external resources that can be used to inform a fundraising strategy.
COMMUNITY COST-SHARING

Cost-sharing programs often have an organization or group of people that collects and stores community funds or resources that are used to support the community through projects that are determined by the community members.

What is called ‘tontines’ in Senegal or ‘ibir’ in Ethiopia serve as peer-to-peer saving circles that provide a communal funding opportunity for projects or insurance in disasters. Each saving circle varies depending on the context, but generally the subscribers contribute a sum to the collective pot and take turns collecting the money; at the end of the decided upon cycle, members take a sum out of the pot. These models are a practical alternative to a formal financial system.

Although this is one example, community cost-sharing does not necessarily have to mean money, it can also mean in-kind donations or access to volunteers, depending on the needs and the context.

CHALLENGES AND OPPORTUNITIES

Community cost-sharing models are usually effective funding streams for short-term projects or emergencies, but are rarely used to provide long-term, high revenue streams of funding. However, companies like MaTontine are using technology to expand giving circle's reach and provide a funding safety net for people and organizations.

COMMUNITY PHILANTHROPY

Community philanthropy convenes community members to leverage community resources and determine the best use of external resources for their community. In this way, community philanthropy flips the traditional top-down development model and gives the decision-making power to the community.

Global Fund for Community Foundations (GFCF) supports community philanthropy around the world and has many practical resources on their website. At the core of their approach is emphasizing local resources and capabilities, and the belief that community philanthropy not only shifts the power closer to the people, but that it is also the most effective and sustainable development practice. Jenny Hodgson, Director of GFCF, explains, “community philanthropy can turn development cooperation on its head because we no longer see the people the programmes are intended to help as “target groups” or “beneficiaries”, but rather as joint investors in their own development.”

CHALLENGES AND OPPORTUNITIES

One of the challenges of community philanthropy is that not all communities have a culture of civic giving. In the SAS Thailand case study, Raks Thai, the Thai NGO, struggled to raise funds from their community due to giving practices that are centered around donating to Buddhist temples. There was an assumption that Thailand’s economic shift to a middle-income country would increase civic giving, however, because of the devoted practice of donating to temples rather than civil society, Raks Thai did not see a big increase in civic donations to their organization. They had to be creative in how they raised unrestricted funds (putting contribution boxes in a grocery store chain, as an example) while pursuing larger and more diverse funding streams to maintain their organization.

The major problems in Africa, such as poverty, will only be solved when Africans come together to come up with African-centered solutions. CEO of MaTontine

CEO of MaTontine
CROWDFUNDING

Crowdfunding involves sourcing money from a large group of people to fund a cause or mission. With the widespread use of social media in most contexts, platforms like GoFundMe, Kickstarter, JustGiving and Global Giving (and even Facebook where this feature is now offered) provide access to an open and ever-evolving group of internet users, making crowdfunding an effective tool for raising awareness and private unrestricted funds.

However, crowdfunding is not limited to online platforms. It can be done using door-to-door fundraising campaigns and giving circles that bring together individuals and networks interested in supporting development efforts. In Haiti, Konbit Biblioteke is a community-led library construction project entirely crowdfunded by local, national and international private supporters who donate by cash, PayPal or other online cash mechanisms.

CHALLENGES AND OPPORTUNITIES

A challenge to crowdfunding is that it can be quite costly and time consuming to implement successful campaigns. Since there is no such thing as “free money”, crowdfunding campaigns often require a lot of staff time (usually pulling from overhead funds) in order to ensure a campaign is successful. One way to mitigate that is to develop a robust fundraising plan that sets goals and has a dedicated team working to achieve those goals. For those new to fundraising, the Network For Good’s Crash Course: Your 7-Step Nonprofit Fundraising Plan is a good place to start.

STORY SPOTLIGHT

In recent years, an organization called BuildPalestine has been using community philanthropy to drive a Palestinian vision for the future of the Palestinian state. It uses an online platform to connect global entrepreneurs to small organizations that work in the Palestinian territories as a way to subsidize the use of foreign aid. BuildPalestine argues that it is far more sustainable and locally-relevant to raise unrestricted and independent funds. So far, they have raised $250,000 and have been able to fund 24 projects.

FOUNDATIONS

Although foundations are a relatively traditional way to access funding, there are multiple foundations that recognize the value of unrestricted funding and therefore focus on granting unrestricted funding to partners. This is not a full list, but rather a sampling of options:

1. **Mulago**: They provide unrestricted funding to high-performing organizations that address the basic needs of the extremely poor.

2. **Peery Foundation**: As a “grantee-centric” foundation, they aim to strengthen grantees’ abilities to achieve their outcomes as well as address the power imbalance inherent within funding relationships.

3. **Drapers Richard Kaplan**: They believe in unrestricted, multi-year funding followed by ongoing accompaniment to help organizations achieve scale.

CHALLENGES AND OPPORTUNITIES

Foundations often want to fund organizations that can show impact and scale and that work on specific agendas related to their organizational vision. As a result, receiving funding from foundations can be quite competitive. Additionally, these grant applications can be complex and time-consuming and are often in English, which can be a challenge to smaller, non-English speaking organizations. However, due to their significance, it can be worth investing human resources into applying for grants from foundations. A key element is identifying a grant that is a good fit for the organization and ensuring there are time and resources to dedicate to the application. This blog, Top Tips and Sources to Find Grants for Your Nonprofit, on Donorbox is helpful to use as a way to navigate the funding landscape and identify grants that may be a good fit.
MEMBERSHIP OR SUBSCRIPTION FEES

Membership or subscription fees are often sources of relatively small pools of unrestricted funds that are outside of institutional grants. In the Facilitating Financial Sustainability (FFS) project, these funds were one of the most critical aspects of financial sustainability across all 30 CSOs in 6 different countries. Membership or subscription fees require staff, partners, and volunteers to contribute a small sum for being a part of the project or organization. This money is then collected to either offset overhead costs or to support aspects of the project that are not covered in the institutional grant.

One of the FFS case studies highlights the importance of these membership fees:

In [the] DRC, Coalition des Volontaries pour la Paix et le Développement (CVPD) require all staff, board members and volunteers to provide an annual membership fee to the organization, which ranges in amount but can be up to $100 USD and forms an essential ‘back up’ fund for the organization. This relies on the fact that CVPD has a deliberate volunteer-first strategy with an up-front expectation that participation with the organization is inherently mission-driven.

CHALLENGES AND OPPORTUNITIES

Developing a culture where staff, partners, and volunteers are willing to financially contribute to the organization can be challenging. However, leading with the organization’s mission and vision can help contributors feel that they are supporting something they believe in. A sliding scale approach, where people are not asked to contribute more than they are able, can help accommodate all possible contributors.

PRIVATE SECTOR SOURCES

Companies, ranging from large corporations like Google to small businesses and start-ups, often have corporate social responsibility branches that use a portion of their income to fund a social cause. A common example of this in the aid and development sector is the Ford Foundation, endowed by the Ford Motor Company, that works worldwide and challenges inequality through a variety of means. Annually, the Ford Foundation provides more than 37 million dollars to NGOs working on civic engagement, free expression, gender, racial and ethical justice, climate change, and more.

Even without setting up a separate foundation, many companies provide annual charitable donations and become ‘corporate sponsors’ to local groups, NGOs, schools, etc. From our case evidence, the Plan India case explained how the 2013 Corporate Social Responsibility Act declared that Indian companies must spend at least 2 percent of their net profit on a social cause, which opened up a variety of funding streams for nonprofit organizations. Although this is a context specific example, it is often the case that companies want to make an impactful investment that also makes good business sense. In this way, they are looking for a mutually beneficial relationship that will demonstrate their impact. Devex’s article How private sector fundraisers can recast their skill in today’s age of partnerships is a helpful starting point as it outlines some of the fundraising opportunities in the private sector.

CHALLENGES AND OPPORTUNITIES

In addition to the opportunities in the private sector space, there can be reputation risks associated with private sector engagement. For example, if an organization works directly on environmental protection issues, it may be ill-advised to work with an extractive company who has a history of negative environmental impact. However, the private sector offers a lot of opportunities for engagement, whether it is a long-term partnership or once-off corporate sponsorship. Considering what businesses are available in the community, where the opportunities are, and how to best leverage corporate partnerships can be a good place to start when trying to establish private sector partners.
SOCIAL ENTERPRISE MODELS

The ultimate goal of social enterprise models is to achieve sustainability by enabling organizations to support themselves, without relying solely on grants and donations. Usually, this manifests as the organization using business tools and models to address a social need. SAS has been fortunate enough to document the work of many incredible partners, one of them being Coffee for Peace (CFP) in Mindanao, Philippines. CFP founders noticed that when coffee was present, warring groups in Mindanao would gather together and talk peacefully. CFP was founded as an Income Generating Program (IGP) for PeaceBuilders Community Incorporated (PBCI), a peacebuilding organization, and now the two organizations are closely linked. CFP uses “coffee as a vehicle for peace” and runs capacity building on peace and reconciliation and conflict management skills by engaging coffee farmers in the Philippines. They pay farmers just prices for their coffee, sell green and roasted coffee beans, and cascara to consumers. They also operate a coffee shop in Davao. They sell 20 percent of their green beans and 80 percent of their roasted beans to organizations in the Philippines, US, and Canada.

CHALLENGES AND OPPORTUNITIES

Social enterprise models can be quite challenging and time consuming to set up. This model is quite complex and takes a long time to set up; it requires a stable environment to get started and may be more challenging in highly fragile, conflict-affected contexts. Additionally, social enterprises often require many logistical aspects in order to operate properly: a board of directors, detailed compliance processes, etc. The time it takes to set up the organization may not pay off, either initially or in the long term. However, when it is done well, it can be a sustainable and efficient source of income for an organization. In the case of CFP, they started as an IGP for PBCI and have evolved to not only financially support PBCI but to also advocate for peace and reconciliation in their context.

OTHER UNRESTRICTED FUNDING STREAMS

In addition to applying for grants and running community-based fundraising campaigns, there are other ways to raise unrestricted funding. The challenge with these models is that they can be quite time consuming, however, they are effective ways to raise unrestricted funds.

• Selling merchandise. Serving as income generation, selling merchandise can also help build an organization’s brand and reach new audiences. Sales on DoJiggy is a comprehensive resource when getting started.
• Hosting annual fundraising events: galas, concerts and auctions. Giving Tuesday is the largest annual day of giving worldwide and offers a unique opportunity for organizations to fundraise under a global movement. Their Complete Toolkit offers many ideas, resources, and case studies on how to fundraise effectively. Additionally, Classy offers 25 Fundraising Event Ideas to Raise Money for Your Cause as a starting point.
EXTERNAL RESOURCES

Below is a compilation of resources that advise on how to raise unrestricted funds.

  ▪ This one-pager compiles findings from consultations focused on shifting power and resources to civil society actors in the Global South.
  ▪ Download the full report here.
• Classy, Nonprofit Resources, https://www.classy.org/
• Facilitating Financial Sustainability, http://sustainability.linclocal.org
  ▪ A USAID-funded project that specifically seeks to understand and improve CSO financial sustainability.
  ▪ A website complete with in-depth research, funding network maps, and more.
• Funds for NGOs, Free Resources, https://freeresources.fundsforngos.org/
  ▪ This resource hub offers a host of community-led development fundraising ideas, particularly focusing on community philanthropy.
• Global Giving, Learn Library, https://www.globalgiving.org/learn/
  ▪ Global Giving also offers a free Nonprofit Management course for practitioners in the Global South.
  ▪ A resource that lists global development grantmakers, but costs money to get in depth information. At minimum, it provides a free list of granters with a description of their organization.
• Network for Good, Free Fundraising Resources Library, https://www.networkforgood.com/non-profit-fundraising-resources/
• Stopping As Success, Practical Guidelines to Financial Sustainability [forthcoming in early 2020], www.stoppingassuccess.org
• The Balance Small Business, https://www.thebalancesmb.com/
  ▪ A website dedicated to providing resources about launching and managing a small business, with various resources about nonprofit-specific fundraising.

GET IN TOUCH!

If you have any feedback or specific questions regarding this document, please email Grace Boone at gboone@cdacollaborative.org.

If you would like to explore the SAS project more widely, you can follow the project and register your interest on the website: http://www.stoppingassuccess.org/
END NOTES

1. Forthcoming SAS resource
6. To learn more about how Ashoka University’s Centre for Social Impact and Philanthropy is studying civil society and philanthropy in India: https://www.ashoka.edu.in/page/csip-63
7. Read more about BuildPalestine here: https://www.thenewhumanitarian.org/analysis/2019/05/14/why-some-palestinians-are-shunning-foreign-aid?utm_source=twitter&utm_medium=social&utm_campaign=social
12. Read more about Coffee for Peace on their website: https://www.coffeeforpeace.com/about-us/