Towards Financial Self-Reliance:
A Handbook on
Resource Mobilization for
Civil Society Organizations in the South

Trainer Manual

by Richard Holloway

containing:

- **Facilitator's Guide to the Text**
- **Complete set of Overheads**
- **Complete set of Handouts**
- **Instructions for Exercises**

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INTRODUCTION

Introduction, Timetable and Logistics

This Manual is for the use of trainers or facilitators who want to manage a four-day course in 'Resource Mobilization for Civil Society Organizations in the South'. This Manual provides the core text of the handbook, plus suggestions for how each section of the course can be presented. It contains the hard copy to be made into overheads to assist the facilitator in his/her work. It also contains copies of all the handouts ready for photocopying. Finally, it provides suggestions for the exercises to be used in the course.

The course lasts over four days and should be structured like this:

DAY 1	DAY 2	DAY 3	DAY 4
Session One: The Larger Picture	**Session Four:** Revenue from Earned Income	**Session Eight:** Resources from Government	**Session Twelve:** Conversion of Debt **Session Thirteen:** Microcredit Programmes
Session Two: Overview of Possibilities	**Session Five:** Indigenous Foundations	**Session Nine:** Resources for Sustainability from Foreign Development Agencies	**Session Fourteen:** Social Investment **Session Fifteen:** Use of the Internet
LUNCH			
Session Three: Why Should Anyone Help a Southern CSO?	**Session Six:** Individual Philanthropy	**Session Ten:** Resources of the Corporate Sector	**Session Sixteen:** Deciding Which Way to Go
Session Three: (continued)	**Session Seven:** Building Grass-roots Organizations	**Session Eleven:** Building Reserve Funds and Endowments	**Session Sixteen:** (continued)

It is likely that the participants interest will extend some of these sessions, in which case everything can be pushed back, still leaving a last session for planning. Suggested session plans are given at the end of this section.

The participants in the workshop should be Southern civil society organizations that have expressed an interest in the subject of resource mobilization. The best set up is to have a range of civil society organizations represented, both large and small, with more than one person from each organization. The facilitator should be able to handle 10 - 12 organizations with 2 people from each, giving 20-24 participants. This

will give a variety of experiences, but not too time consuming when asking for different organization's experiences.

The workshop will last four days, and participants should be prepared to attend all sessions. It is not a good idea to announce the daily programme in advance so that people are tempted to attend just sessions that they are interested in. The locale should be a room with good ventilation, good lighting, and well-equipped chairs and tables for all participants. The walls of the room should be bare and should be able to take flip chart paper stuck up with masking tape. The best arrangement of furniture would be 4-5 tables, each with 4-5 peoples at them arranged in a half-circle around a screen (or wall) for overhead projection and chart paper. There should be easy access for all participants to come up to the chart paper to attach cards.

There should be the following equipment:

- Pin boards x 3
- Flip chart easels x 2 (with flip chart paper and reserves)
- Masking tape
- Pen markers (enough for all participants and three for trainer)
- Pins
- Large numbers of cards (300 one color, 100 another color)
- A table for display of books, papers
- An overhead projector
- A screen (not necessary if good white wall)

All participants should be asked to bring copies of their organization's:

- Brochure
- Any publications or documents connected to their own fundraising or fund-generation work

The trainer should come prepared with:

1. The trainer manual
2. Copies of all the transparencies that will be needed
3. Copies of all the referenced books, if possible
4. Spare transparencies
5. Markers and pens for transparencies
6. The facilitator should have a portable computer/printer, or access to a computer/printer so that he/she can finalize some documents that the participants will take away with them.

Style and Methodology

The training will be based on the belief that all participants who are coming from civil society organizations will have ideas to contribute. The trainer's job is to stimulate ideas and discussion within the structure of the workshop outline, but the trainer should not be regarded as an expert on the subject in hand. He/she will guide the

participants through a structure that will cover useful topics, but the value of the workshop will come from a combination of the structure and the experiences and thoughts of the participants.

The trainer has the following techniques available to him/her:

1. Showing transparencies and generating discussion by leading questions based on the transparency.
2. Reading text of the handbook and generating discussion.
3. Brain-storming ideas, listing them on flip chart and generating discussion by leading questions.
4. Requesting information on cards, displaying it, and generating discussion.
5. Undertaking exercises, and discussing the results.
6. Requesting private or group work, showing the results to the plenary and generating discussion around that.

It is important for the participants' learning that all are involved and all participate.
A problem may be that participants come from a variety of different stages in their thinking about financial self-reliance. The exercises, however, are designed to make sure that the group's experience is displayed before everybody, so that everyone can be part of it, and everyone can be conversant with all other participants' experiences.

The facilitator is urged to become very conversant with the handbook. Facilitators will be expected to have read the text of the handbook and be familiar with the points made there. The preferred methodology is for the facilitator to elicit ideas from the participants, but the facilitator should know the topic in hand, in case participants may not come up with such points and the facilitator must introduce the points as new ideas (and be able to defend them).

The structure of the handbook allows the facilitator to work his/her way through the 12 approaches. It is helpful if the facilitator has experience of civil society organizations in theory and practice, since the participants will all come from this background. It is also helpful if the facilitator has some experience in facilitation. A list of reference books to help prepare those without a great deal of facilitation experience is provided.

An important point for the facilitator to emphasize at the start is that the course is not going to be lectures where the expert tells the students what should be. The course can only exist through the experiences of the participants interacting with the framework and examples that the facilitator provides.

Warm-up exercises, ice-breakers, and other group exercises that are the stock in trade of facilitators have not been included specifically. Facilitators should use their own experience to introduce these when they are needed. References are, however, provided for access to such materials.

An important part of the methodology is that participants' ideas (written on cards or on flip charts) are displayed throughout the workshop. This both gives validity to the participants' contributions and enables participants to browse in the coffee, lunch or

final breaks and remind themselves of what they have all said. This means that the room is going to be increasingly filled with large sheets of paper. The facilitator needs to get used to the logistics of this - having sheets prepared, having masking tape ready for sticking up cards, having space ready for moving to with the big sheets for display, sticking up the big sheets so that they stay stuck up and do not fall off in the breeze. You can understand why the choice of a room with lots of wall space is important. It is also possible to use Bluetack or some either proprietary brand of solid adhesive, broken off into small pieces, for sticking material up instead of masking tape.

I do not advise the use of Post-it cards, although they seem ideal since the adhesive is already on the back. They are usually too small to have the ideas written on them seen at the back of the room, and they curl up when hanging so that the writing is obscured.

The Facilitator's Job

a.	to present some ideas and encourage discussion on those ideas
b.	to collect some information from the participants and encourage discussion on that information
c.	to present some examples and encourage discussion of those examples
d.	to introduce participatory exercises, carry them out, and then encourage discussion on the product of those exercises

The IDEAS are the subject matter of the handbook, presented in the overheads

The INFORMATION is the output from the exercises.

The EXAMPLES are the case studies, the examples quoted in the handbook, and any other examples that the facilitator may produce.

The facilitator's job is to elicit the ideas, comments, thoughts from the participants, either by discussion or with the flip charts, and then use the overheads as 'top-up' information to confirm what the participants have said, and to add to their remarks. In some cases, where the information is probably new to the participants, then the overheads will need to be used as the source of new information. The value of the 'card and chart' techniques (explained below) is that all participants contribute something, and that the contributions are not limited to those with loud voices and extrovert personalities. All participants experience and ideas are important and must be elicited.

Please see the detailed 'session plan' so that the facilitator knows in advance what materials are going to be needed for each session.

Card and Chart

One of the important ways of eliciting information from the participants is by encouraging discussion, and recording the highlights of such discussion on flip charts. Another way is by encouraging participants to write their ideas on cards that

are then displayed in front of all. These cards can then be moved around to 'cluster' them in groups of similar ideas. This is called the 'card and chart' method, and has been popularized by German Agency for Technical Cooperation (GTZ). If pin boards are available (and these can usually be borrowed or hired from a local office of GTZ, together with pins, cards, glue) then a large sheet of paper is pinned onto the pin board and cards are pinned onto this and moved around on the pin boards for clustering. Once the exercise is complete, the pins are removed from the cards and they are glued in place. The whole sheet is then moved off the pin board and displayed somewhere else in the room as a record of the discussion and decision of the group. GTZ supplies large sheets of brown packing paper as the backing paper.

Pin boards and brown paper from GTZ, while valuable, are not, however essential. The card and chart technique can be used with cards stuck on to the large sheet of paper by masking tape. The large sheet is 4 flip chart sheets stuck together. If masking tape is used, such tape will survive 5-7 times peeling off and sticking down again. Once the exercise is finished, then the sheet can be immediately removed and displayed somewhere else in the room as a record of the discussion and decision. If white paper is used as the background sheet, then colored cards should be used for contrast. If facilitators are making their own cards, then they should buy colored card from a stationers and, using a paper guillotine, cut them down to 3 per A4 sheet.

Important aspects of card and chart technique are:

1. All participants have marker pens and lots of cards.
2. Participants are asked to write CLEARLY, LEGIBLY and LARGE, using no more than three lines on a card, and one idea to a card.
3. Cards are presented anonymously - no names are attached.
4. Participants can ask for explanations of cards if they do not understand them.
5. A large sheet of paper (the size of the pin-board) is first pinned to the pin boards. All cards are then pinned or stuck on to that.
6. At the coffee break, or lunch break, or at the end of the day, the sheet with the cards on it is removed from the working area at the front of the room, and displayed somewhere else in the room as a record of the discussion/decisions. To do this, the cards are either glued onto the base paper in place, and the pins taken out for use again (if you are using pin boards) or the base sheet is simply removed and displayed somewhere else. The sheet is a record of the participants' output, and is displayed through out the workshop.

Flip Charts and Use of Displayed Materials

The facilitator should make extensive use of flip charts, outside the more formal card and chart exercises. Ideas generated by the participants should be written up on flip charts - in clear writing - and if something important is written down, these flip chart sheets should be torn off and stuck up on the wall. Make sure that the title of the sheet is written clearly so participants who browse the walls can be clear what it is they are looking at.

From time to time the facilitator will be asked to provide participants with half or quarter flip chart sheets so that they can carry out some exercise. The facilitator should cut these up in advance for distribution and prepare a large flip chart sheet (4 x flip chart sheets in size) to receive the finished contributions from the participants on these half or quarter flip chart sheets and stick them on to it. Once the exercise is finished, the large sheet is taken out of the working area and displayed as a record elsewhere in the room.

Facilitators must study the trainer manual and the sequence of exercises in advance and be ready prepared with the right materials. The room will become increasingly filled with large sheets (4 x flip chart) on which are mounted either cards or flip chart halves and quarters.

Transparencies

The facilitator should make transparencies of all the sheets marked 'OHT' (for overhead transparencies) in the trainer manual in advance for use as overheads. Be careful when using the photocopier to copy from hard copy to transparency that you have bought and are using the right kind of transparency. The wrong kind melts in the photocopier.

As mentioned before the transparencies have two functions:

1.   To stimulate discussion. The facilitator displays the overhead, goes through it point by point asking for examples from participants own experience. When showing the overhead, it is best to reveal them one phrase at a time to ensure the participants' concentration is focused.

2.   To confirm the participants points. The facilitator elicits the participants' ideas verbally, writes them on flip charts, but then finally displays the overhead as a confirmation and validation of the points that the participants have made. If participants have made some point which is not on your prepared overhead, but which you consider important, then make sure you have pens to write on transparencies available so that you can immediately write it on the overhead.

Participants are bound to ask you for copies of the overheads as handouts. You are also likely to start off with participants desperately trying to copy down the material on the overhead. Tell all participants that they will receive a copy of the handbook at the end, and that the actual overheads can be downloaded for free on the Web as part of the trainer manual. Discourage copying of the overheads as it reduces people's concentration on the discussion.

Handouts

Have multiple copies of the handouts ready to give out when the right moment comes. Participants should keep them, but the facilitator should also tell the participants that the complete set of handouts is in the handbook (which they will be given at the end) or they can be downloaded for free from the Web.

The facilitator should ask for volunteers to read the handout out loud to the group, and then, at the end of each reading, ask if participants have any reflections on the story, whether they know of anything similar, and whether they think such an idea would work in their place. If the response is 'it may work there, but it could never happen here', then probe a bit to illicit what elements seem foreign to local experience. Often participants will have seen something like the example in the handout, but not necessarily used in the same way. For instance, participants may have no knowledge of indigenous foundations for development purposes, but they may know about foundations for veterans or pension funds. Participants may not know of individual philanthropy for development purposes, but are aware of it for charitable or religious purposes. Constantly challenge participants to think whether ideas can be drafted into the field of civil society organizations from other fields.

Further Reading

'The Instructor's Pocket Book – a Pocketful of Tips, Techniques, and Tools for Instructors, Teachers, and Group Leaders' by John Townsend. Management Pocket Books, 14 east St., Alresford, Hants SO249EE, United Kingdom. 1985

'Games and Exercises – a Manual for Facilitators and Trainers involved in Participatory Group Events' by UNICEF-ESARO, P.O. Box 44145, Nairobi, Kenya. 1998

'Games Trainers Play – Experiential Learning Exercises' by John Newstrom. Mcraw-Hill Inc. USA. 1980

'The Instructor's Survival Kit – a Manual for teachers of Adults' by Peter Franz Renner. Training Associates Ltd., Vancouver BC, Canada. 1989

'Training of Trainers – a Manual for Participatory Training Methodology in Development' from PRIA, Delhi, India.1988

'Training for Transformation – a Handbook for Community Workers' by Hope and Timmel. Mambo Press, P.O.Box UA320, Harare, Zimbabwe. 1984

DAY ONE: SETTING THE SCENE

- **SESSION ONE: THE LARGER PICTURE**
- **SESSION TWO: OVERVIEW OF POSSIBILITIES**
- **SESSION THREE: WHY SHOULD ANYONE HELP A SOUTHERN CSO?**

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.1 What the Training Course Offers

Purpose

This section introduces the beliefs of the handbook.

Text

This handbook sets out to do two things—to change the way that civil society organizations think about their own scope and potential; and to provide tools that civil society organizations can use in mobilizing (mostly) domestic resources. The book is also interested in foreign resources that build self-reliance and sustainability. This challenges the prevailing orthodoxy of the aid system, which creates more and more dependency on foreign resources, and retards the development of an indigenous citizen resource base.

This handbook is based on the following beliefs:

- The existing pattern of support for civil society organizations in the South, which is largely based on foreign funding, is neither desirable nor sustainable.
- A variety of domestic resources are potentially available to Southern civil society organizations, 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 civil society organizations and their programmes.

For these reasons it is important for Southern civil society organizations to learn more about the different strategies for resource mobilization 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 thinks of itself and operates. The advantages and disadvantages may appeal to your organization in different ways.

Methodology

Display top half of OHT 1, and discuss.

Display bottom half of OHT 1, one by one. Ask participants if they agree with the statements, or are yet to be convinced.

What The Training Course Offers

a.   to   change   the   ways   that   civil   society organizations think

b.   to provide tools that civil society organizations can use to mobilize resources

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

The Training Course believes:

- The existing pattern of support for civil society organizations in the South, which is largely based on foreign funding, is not sustainable.

- A   variety   of   other   domestic   resources   are potentially available to Southern civil society organizations, but have not been adequately researched, attempted, or mainstreamed by them.

- Local support, expressed through local funding, is fundamentally   important   for   the   long   term sustainability   of   Southern   civil   society organizations and their programmes.

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.2 The Need for Resources

Purpose

To understand why you need resources, and the limitations of the present resources.

Text

Civil Society Organizations need resources so that they can be effective and sustainable. As organizations 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.

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

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

Methodology

Show the top part of OHT 2. Ask participants if they have any prejudices about using any particular kind of resources.

Show the bottom part of OHT 2. Ask participants for examples of resources they have experience with which fit one of these 3 categories.

The Need for Resources

Civil Society Organizations need resources so that they can be:

a.   effective, and

b.   sustainable.

The CSO world is very likely to change.

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

- **They will not be available to your organization in the future.**

- **They are felt to have disadvantages that outweigh their advantages.**

- **They seem less attractive in relation to some other resources.**

DAY ONE/SESSION ONE: THE LARGER PICTURE

Exercise 1: What Resources does your CSO use at Present?

Purpose

Externalize and make visible the background and relevant information of all participating organizations. It also serves as an introduction to participating organizations.

Text

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 mobilization, each CSO should look at, and list, its present resources. Then, for each one, it should give its origin, advantages and 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. For many development CSOs, the exercise reveals a heavy reliance on 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, such grants have become the norm. Other forms of resource mobilization seem strange. Because they are unfamiliar it is assumed they are difficult.

The other result of this exercise, particularly when practiced 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-organizational learning based on actual experience.

Methodology

Ask the participants to inform the group what resources their CSO has access to at present. Facilitator puts up cards along the top of a sheet of chart paper giving the following column headings: CSO, Resource, Origin, Advantage, Disadvantage. Hand out blank cards to all participants. Ask those from the same organization to work together. Ask them to write on the cards with markers giving the information needed under these headings as it refers to their organization.

Once they have finished writing the cards, provide tape and ask them to stick their cards in the right place on the sheet at the front of the room. Once all organizations have their cards displayed, ask one person from each organization to stand up, come up front, introduce himself or herself and others from the same organization, read the cards, and clarify any questions from the audience.

Ask for any general comments from the participants after they have heard everyone. What are the common features? Common resources? Common Origins? Common advantages? Common disadvantages? Note rare ones for reference later.

'What Resources does your CSO use at present?'

CSO	Resources	Origin	Advantage	Disadvantage
1.				
2.				
3.				
Etc.				

Ask participants to fill out cards for each section and display them.

Before asking the participants to fill out their cards give some explanation or interpretation of the information you are asking for: Possibly prepare some cards with possible multi-choice answers and display them to help participants. This is a very important session that illustrates the breadth of the experience of the participants and will be a reference point many times in the workshop.

1.   Name of the CSO: if acronyms are widely known, use them

2.   Resources received: eg grants, loans, goods in kind, people, training

3.   Origins: eg Northern NGO, Northern government, multilateral, Northern foundation, Northern business, Southern government, Southern foundation, Southern business, local fundraising, own enterprise, own investments

     Participants will be very eager to add the names of their donors. Suggest they put the name in brackets

4.   Advantages: Participants should answer the question 'What advantages has this resource brought to your organization?'

5.   Disadvantages: Participants should answer the question 'What disadvantages has this resource brought to your organization?'

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.3   The Characteristics of CSOs

Purpose

The purpose of this section is to acquaint the participants with the analytical context for resource mobilization, and why it is important to build up a citizen's base of resources.

Text

As many commentators on civil society have written, it makes a lot of sense to think of the political economy of the modern society in three basic sectors—the state, business and a third sector defined by citizen self-organization. The state's distinctive competence is the legitimate use of coercion; the business sector's competence is market exchange; and the third sector's competence is private choice for the public good. Citizens mobilize 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 (1999) 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 more or less 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. Formal organizations that result will be stronger if they address social problems together with government and business—and the most effective civil society organizations will be those that have a strong base in many different kinds of citizens in their country.

Methodology

Display the three circles in OHT 3 with the rest covered.

Ask the participants to suggest the core competences of each sector - write them on flip charts. After discussion, introduce the list of competences at the bottom of OHT 3 and ask for comments. Ask for examples of citizens sharing values and sharing commitment.

Introduce the subject of civil society being a relationship between all three sectors. Ask for examples of social change activities that have benefited by having all three sectors involved.

The Three Sectors of Society and their Competences
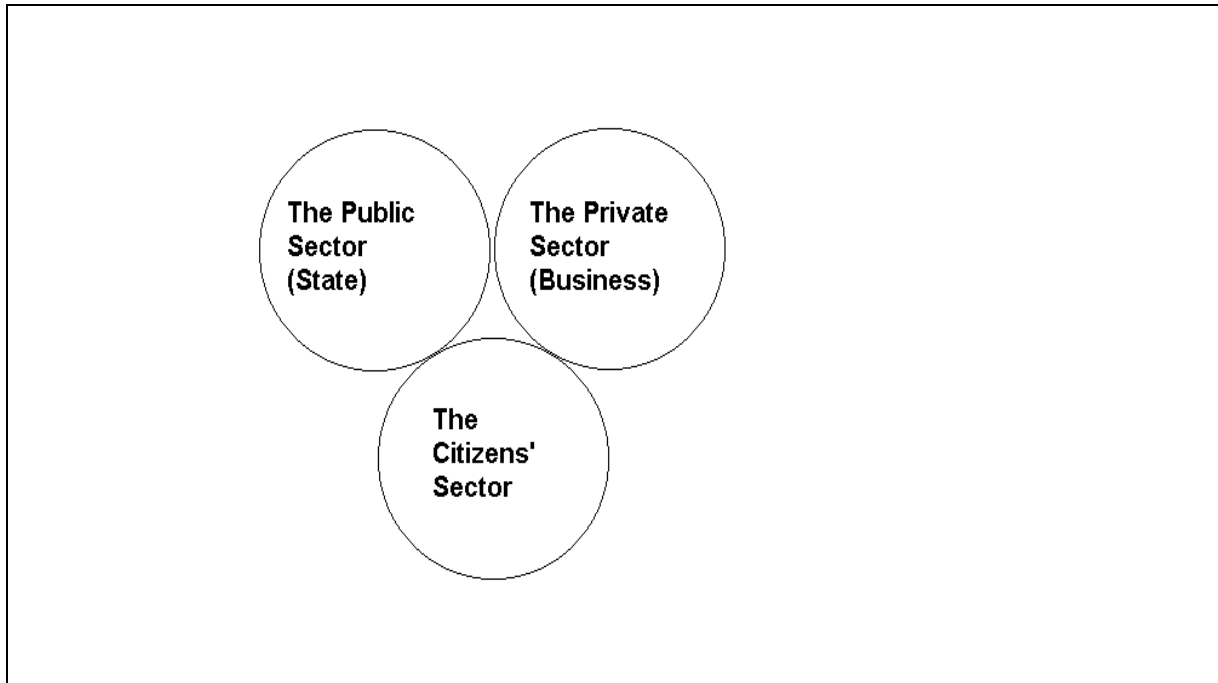
Core Competencies

The State: **Legitimate use of coercion**

Business: **Market exchange**

Citizens: **Private choice for public good**

Shared values with other citizens

Shared commitment to action with other citizens

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.4   Clarifying Who We Are

Purpose

Clarifying the need for resources to the right kind of organizations.

Text

This handbook is based on 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, it is obvious that CSOs need resources to allow them to have an impact on their chosen field of work and to sustain them so that they can continue to have such impact. The question is which resources and how can they 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' organizations who call themselves by the name of CSOs, but whose purpose is different. Such organizations are created for personal income or private interests, or as a front for governments or businesses. Such pretenders are challenging the CSO world, and because such 'bad apples' can spoil the reputation of the citizen sector as a whole, it is valuable to reiterate the most important characteristics of civil society organizations before we look at what such CSOs need, and how such needs can be met.

Civil society organizations created in the public interest, both North and South:

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

Methodology

Display OHT 4 title. Explain that there are many organizations that call themselves civil society organizations, NGOs, Voluntary Organizations etc. If we are looking to help organizations access resources, let us be clear what kinds of organizations we are talking about.

Ask participants for characteristics of CSOs. Write them on flip charts. Then display the characteristics from OHT 4, one by one. Explain them one by one, making sure everyone agrees and understands.

Finally show the rest of OHT 4 and ask for examples of NGIs, Briefcases, DONGOs, GONGOs, BONGOs, etc.

Clarifying Who We Are

Characteristics of Southern CSOs

- **are driven by values that reflect a desire to improve lives;**

- **contain elements of voluntarism (ie are formed by choice, not by compulsion, and involve voluntary contributions of time and money);**

- **have private and independent governance;**

- **are not for anyone's profit (ie they do not distribute profit to staff or shareholders);**

- **have a clearly stated and definable public purpose to which they hold themselves to be accountable;**

- **are formally constituted in law or have an accepted identity in the culture and tradition of the country.**

The Pretenders

- *NGIs, Briefcase NGOs*

- *GONGOs (Government organized NGOs)*

- *DONGOs (Donor organized NGOs)*

- *BONGOs (Business organized NGOs)*

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.5   What Do CSOs Need?

Purpose

To clarify what are the needs that can be satisfied by different resources.

Text

What do such organizations need in order to be effective and sustainable? There are five basic requirements:

1.   Good programmes that actually do improve 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.   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.   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 financial resources to support the good programmes, the good management and the sustainability mentioned above.
5.   Local support which includes:
     - a supportive political, legal, and fiscal environment in which they are enabled to exist and flourish;
     - good human resources to work for the CSO;
     - a good reputation built 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 of wide significance to offer.

Methodology

Explain that we want to find out what organizations need to be (a) effective and (b) sustainable. Both are important. If we know what we need, then we can identify the resources required.

Ask for brainstorming - write up on flip charts.

Display OHT 5 point by point, explaining and expanding on each one and asking for comments.

What do CSOs Need?

To be effective and sustainable, CSOs need

1. **Good Programmes**

2. **Good Management**

3. **A Commitment to Sustainability**

4. **Financial Resources**

5. **Local support which includes:**

    -   **a supportive political, legal, and fiscal environment**

    -   **good human resources**

    -   **a good reputation**

    -   **supporters from a variety of different sources**

    -   **well-placed champions**

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.6a The Present Pattern of CSO Resources

Purpose

To get a global overview of the different ways that resources come to CSOs.

Text

Before we look at the different ways of mobilizing resources that may or may not suit your organization's circumstances, it is useful to get an overview of the ways that resources come to CSOs in the world. Figure 1.1 on the following page 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 (Channel 5).
- Indirectly as multilateral assistance (Channel 5).
- Via Northern CSOs (Channel 4).
- Via their own governments as bilateral assistance relayed to CSOs (Channel 6).

b. Northern CSOs directly (Channel 4).

c. The market
- From businesses (Channel 7).
- From CSO's enterprises, including investments (Channel 7).

d. Citizens
- Directly as gifts (Channel 8).
- Indirectly as support (Channel 8).

e. Their own governments directly, national and local (Channel 6).

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 CSOs comes from government, followed by the market, followed by the gift economy. This reflects the pattern of government contracting of CSOs to supplement their work for them, and the large number of Northern CSOs (particularly foundations) that have large investments.

Methodology

Show OHT 6. Then cover up the South and show just the North. Go through Tracks 1, 2,and 3 explaining how Northern CSOs get funds. Ask if any participants have experience of any of these tracks? Anyone worked in the North with a CSO? Which are the largest tracks?

Then open up the South. Go through Tracks 4, 5, 6, 7, 8, and 9 explaining how Southern CSOs get funds. Ask the participants, which they think, are the largest tracks - and which are capable of growing.

The Flow of Funds to CSOs

Source: Alan Fowler (1999) *Striking a Balance*, Earthscan Publications, London
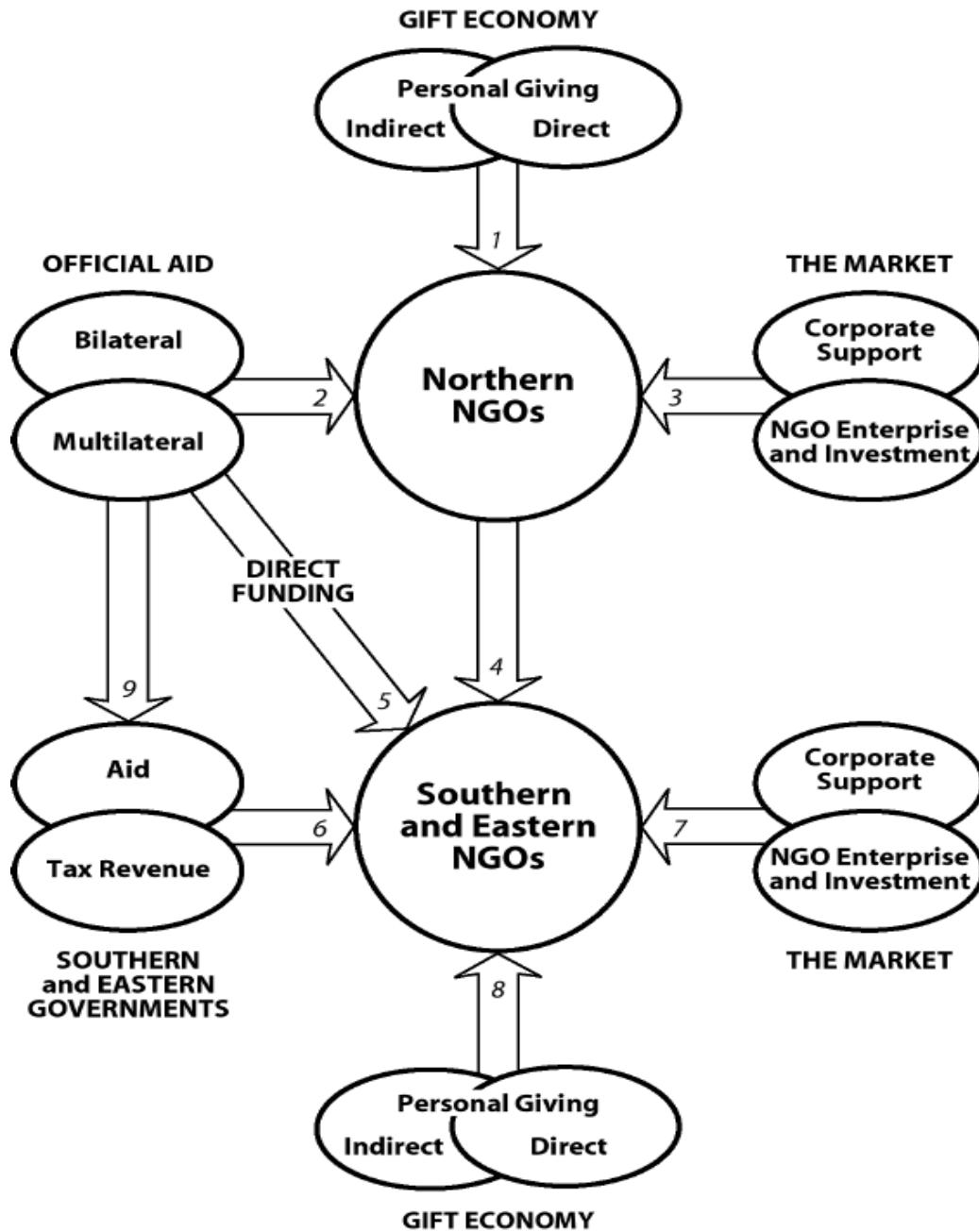
From *Striking a Balance* by Alan Fowler
(note use of NGO not SCO)

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.6b The Present Pattern of CSO Resources

Purpose

To clarify the effect of foreign funding.

Text

At present it is likely that the sub-set of CSOs oriented towards development work are dependent on a limited range of resources. 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 CSOs or from Northern bilateral donors. The grants most likely come in the form of projects – time-limited, fixed budget funding for carefully defined activities. Figure 1.2 on the following page gives a visual picture of the situation experienced by many CSOs. It illustrates:

- A CSO with only two sources of funding – foreign project funding, and much smaller local fundraising.
- A CSO 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 CSO 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 CSOs, 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 CSOs, has been decreasing - and CSOs are vividly aware of their vulnerability due to their reliance on a few funding sources. From time to time the total amounts of foreign funding that is available to CSOs 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.

Methodology

Show OHT 7. Explain the graph - time line horizontally, resources line vertically. Trace the evolution:
- *small start from local funds*
- *grant from foreign sources*
- *then nothing, cutting back into reserves*
- *second larger grant, then nothing*
- *third still larger grant*
- *local funding has not grown*

Ask if participants recognize themselves in this.

The Usual Situation of CSO Financing
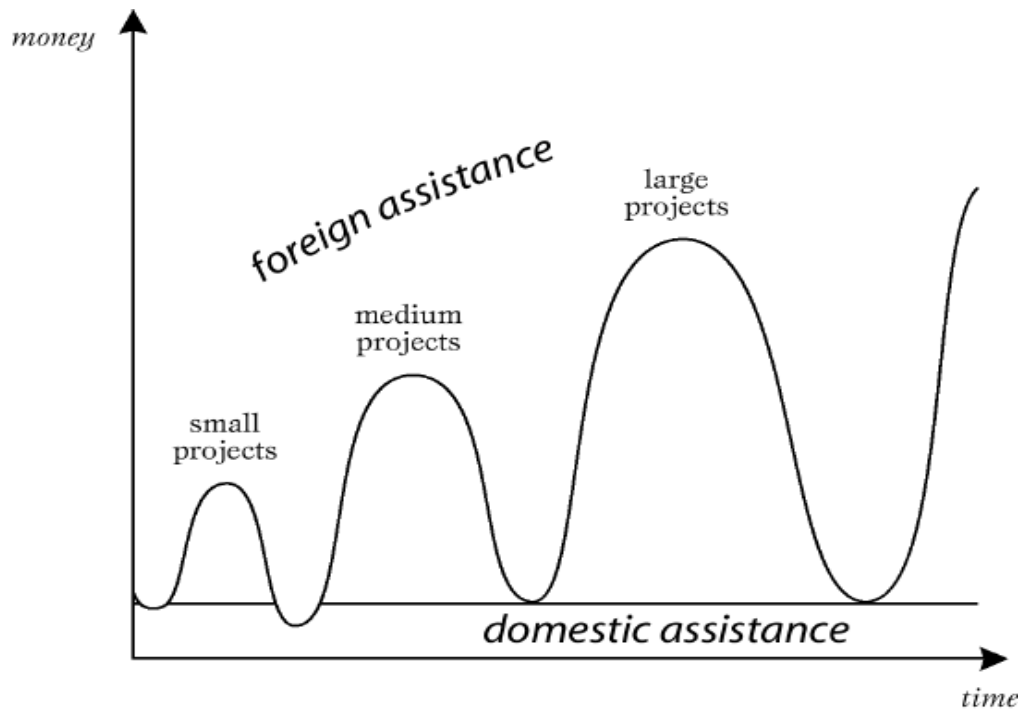
DAY ONE/SESSION ONE: THE LARGER PICTURE

1.7   The Influence of the Aid Trade

Purpose

To clarify the effect of foreign funding.

Text

Many CSOs have been shaken into awareness of how precarious their situation is. For a long time CSOs assumed that they would continue to be funded from Northern sources ad infinitum; indeed, some new CSOs defined themselves as 'NGOs' specifically to attract foreign funding. While it is true that many CSOs 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.

Let us look, by analogy, at the situation of CSOs in the North when they first started, and were working on very similar subjects as the present civil society organizations in the South, such as child rights, cooperatives, environmental health, women's rights, and the care and welfare of those marginalized and forgotten by society. There was no foreign source of funds for such organizations as Dr. Barnardo's, the early friendly societies and cooperatives, the Anti-Slavery Society, or the Votes for Women organizations, when they were first starting. If there had been, they might have developed very differently. Instead they relied on building societal 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 that build long-term financial strength - they have nearly always been time-limited funding for specific projects which ceases 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.

Methodology

Display the top half of OHT 8 and discuss this. Ask people what is the first resource they think of for their work?

Display the questions in the second half of OHT 8. Ask them to identify older (pre-60s) development or welfare institutions, and/or institutions from the developed world. Write these on flip charts. Make it wide-ranging - religious organizations, sports clubs, traditional societies. Ask participants to identify the kinds of resources such organizations had available to them. After discussions, use the last part of the flip chart as a validation. Add others if necessary.

Finally ask participants about the sustainability of these older institutions. Have they evolved? What sustains them now? Any lessons to learn?

The Influence of the Aid Trade

- **CSOs are conditioned by the availability of funds from foreign sources. This only dates from the 60s.**

- **What resources were available to older organizations?**

- **What resources were available to organizations in the North when they started?**

  - **Public contributions**

  - **Government subventions**

  - **Own enterprises**

  - **Investments**

- **Have any of these been sustained?**

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.8   Why Not Just Rely on Foreign Funding?

Purpose

To clarify the limitations of foreign funding.

Text

The first four of the requirements mentioned 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, however, for an organization'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. As 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 that 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.
3. 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 with whom they work.

Methodology

Ask participants for their responses to these questions. Write them on flip chart.

Then show OHT 9, section by section. Explain and expand and ask for comments.

The Limitations of Foreign Funding

- **Foreign funding does not build local support for your work**

- **Foreign funding makes you politically vulnerable in your own country**

- **Foreign funding betrays basic principles of self-reliance that you are urging on others**

DAY ONE/SESSION ONE: THE LARGER PICTURE

1.9   A Statement of Belief

Purpose

To clarify what is being expected of participants.

Text

As CSOs look hard at the questions involved in resource mobilization, 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*:*

The credo is that if Southern civil society organizations 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 are designed to add to their thinking, and to 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.

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 CSOs have been artificially sustained by foreign funding that 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 CSOs will not continue to exist in the future. Many people who are involved with the citizen sector will not cry on this account since the rising tide of foreign funding for local CSOs over the last 20 years has lifted not only bona fide development CSOs, but many free riders who contribute little or nothing to society. These foreign aid parasites will be the least likely to develop a local citizen base. 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 civil society organizations. 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 being supplemented by foreign funding, but in no way dependent on it.

Methodology

Show the first part of OHT 10 (down to 'NB'). Ask for comments. Do participants agree?
Show the second half of OHT 10. Ask for comments.

The Leap of Faith

In Most Circumstances Resources are available to CSOs from your own country (<u>supplemented</u> perhaps by foreign funding)

IF

- **CSOs pursue missions and perform functions that are valuable to society**

- **CSOs are able to communicate this to society at large**

- **CSOs undertake well-designed efforts to obtain the resources needed to perform these functions**

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

DAY ONE/SESSION TWO: OVERVIEW OF POSSIBILITIES

2.1   What are the Alternatives?

Purpose

To identify three categories of resource mobilization.

Text

Conceptually, there are three categories of ways to mobilize resources:

- **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 organization.

- **Generating new wealth (through market-based approaches)**

  It is possible for your organization to generate wealth by 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 give time and goods to your organization.

Methodology

Show OHT 11 section by section. This is purely an informative overhead to tell the participants how the topic is going to be organized. Inform the participants that we will go into each category in more depth.

What are the Alternatives?

Three Categories of Ways to Mobilize Resources

- **Accessing existing wealth (from private and public sources)**

- **Generating new wealth (through market-based approaches)**

- **Capitalizing on non-financial resources**

DAY ONE/SESSION TWO: OVERVIEW OF POSSIBILITIES

2.2 Accessing Existing Wealth from Public and Private Donors

Purpose

To reflect on the present and future ways of accessing existing wealth.

Text

Before we look 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 aid dependent CSOs have been doing up to now. They have been applying for the wealth of (specifically) Northern CSOs and Northern governments, and trying to capture it for their own purposes. There has been much talk of partnership in the relations between CSOs 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.

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 Southern CSOs and Northern CSOs)
- 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 safes of wealthy organizations or individuals.

Methodology

Compare the present and the hoped for future. This category does not just reflect what CSOs have always been doing. Discuss partnerships. What do they think of them?
Show the top half of OHT 12 and discuss. Who is competing? Show the bottom half of OHT 12 and discuss. Does this sound possible?
Go through OHT 13, merely giving the names, and explain that this will be explained in more detail later.

The Context for Accessing Existing Wealth

The Present:

- **Decreasing Pool of Foreign Resources**

- **Increased Competition for Foreign Resources**

- **Increasing Dependency on Northern decisions**

- **Increasing search for the right 'key' to unlock the donor's safe**

The Future

- **Look for opportunities for joint ventures between CSOs and sources of existing wealth**

- **Look for existing wealth as a way to build up CSOs' wealth sustainability**

- **Look for long term and mutually beneficial partnerships with sources of existing wealth, not short term ways of capturing wealth**

Six Approaches for Accessing Existing Wealth

- **Indigenous foundations**

- **Individual philanthropy**

- **Grass-roots CSOs**

- **Government**

- **Foreign Development Agencies**

- **Business**

DAY ONE/SESSION TWO: OVERVIEW OF POSSIBILITIES

2.3   Generating New Wealth

Purpose

To introduce the idea of generating wealth and give examples.

Text

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 organization.

In some cases they have not known how to do it, in other cases they worry that such endeavors 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 that are linked to their mission, and enterprises that are entered into purely as a source of revenue. Provided 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 for mobilizing 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
       Using the Internet

Methodology

Ask for examples of organizations that have generated their own wealth. Pick up examples from Exercise 1 on resources that CSOs are using.

Show OHT 14 point by point. Any surprises? Omissions? Do not get into explanations of the different categories at this time. Explain that all with be unfolded during the course.

Six Approaches for Generating New Wealth

- **Production and trade**

- **Conversion of foreign debt**

- **Establishing and operating micro-credit programmes**

- **Tapping social investment**

- **Building reserve funds**

- **Using the Internet**

DAY ONE/SESSION TWO: OVERVIEW OF POSSIBILITIES

2.4 Capitalizing on Non-Financial Resources

Purpose

To introduce and explain non-financial resources and their value to a CSO.

Text

Whichever way of mobilizing resources that you decide to use, always remember that there are some relevant non-financial resources that can be tapped. These are cross-cutting approaches that can be used with the other two approaches. The handbook has a lot more text on this point. Please refer to it.

1.   Volunteer Time
We are talking about supporters of the work of your organization offering to give their time and expertise freely for the good of your organization. Depending on their abilities, this can involve a great variety of ways in which they can help your organization.

2.   Volunteer Skilled Labor
Here we are probably looking at people who are willing to make a small contribution of their time and skills to help your organization.

3.   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.

4.   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 organization, and are aware that you would be interested in receiving their help.

5.   Seconded Professional Personnel
Such people would work for your organization, but be paid by their original employer, and keep their position in the original firm.

6.   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 organization or person free of cost.

7.   Access to Public Policy Fora
Strategically placed people who are well-disposed towards your organization can allow you to present your case in the place where important decisions get made.

8.   Access to Services provided for Non-profit organizations
In some countries, particular services are provided free for non-profit organizations, and your CSO may be able to access them.

9.   Champions
Someone who can champion your organization, speak for it, endorse it when necessary, and perhaps most of all, defend it when it is in trouble.

Methodology

Explain that these approaches are cross-cutting though the other categories. Read up the section in the handbook for greater clarity. Show OHT 15 and go through each approach, asking for examples from participants.
What CSOs have had experience of any of these approaches? How important have these been for it? Did people want to be paid? How did you handle that?

Nine Ways of Capitalizing on Non-Financial Resources

- **Volunteer Time**

- **Volunteer Skilled Labour**

- **Goods and Materials**

- **Experience**

- **Seconded Professional Personnel**

- **Training**

- **Access to Public Policy Fora**

- **Access to Services provided for Non-profit Organizations**

- **Champions**

DAY ONE/SESSION THREE: WHY SHOULD ANYONE HELP A CSO?

3.1   Some Possible Reasons

Purpose

To think of people/organizations in the South also as donors to help a CSO, and to appreciate that these may have different reasons from a foreign donor.

Text

CSOs are, for the most part, experienced in the world of foreign financing of local organizations, and know something of the complex reasoning why foreign organization 'x' should support local organization 'y'. What is new terrain 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 organization. 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 organizational.

Some Possible Reasons

1.   Because it is doing good work
2.   Because it is doing good work more effectively than others
3.   Because it is honest and responsible
4.   Because it is attractive and persuasive
5.   Because it appeals to a particular interest in a potential donor
6.   Because it is potentially useful to a potential donor
7.   Because they are asked
8.   Because it has no other source of funds and may collapse

Although these arguments have been listed separately, they are very much inter-woven. A person who is inclined to support a programme fighting alcoholism because his/her uncle was alcoholic will not support your organization, even if it is working in this field, if he/she does not think your organization 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 (eg birth control) is against his/her religious convictions.

Methodology

Go to the handbook and read up this section. There is considerably more text in the handbook. Learn and use some of the examples shown there to get people thinking.

Show OHT 16 section by section. Give some background on each one, and ask for local examples from participants.

Why Should Anyone Give Money to a CSO?

Some Possible Reasons

- **Because it is doing good work**

- **Because it is doing good work more effectively than others**

- **Because it is honest and responsible**

- **Because it is attractive and persuasive**

- **Because it appeals to a particular interest in a potential donor**

- **Because it is potentially useful to a potential donor**

- **Because it is asked**

- **Because it has no other support and may collapse**

DAY ONE/SESSION THREE: WHY SHOULD ANYONE HELP A CSO?

3.2a Communicating to Ordinary Citizens

Purpose

To illustrate to CSOs that the language they are used to using for foreign donors needs considerable modification for use with local donors.

Text

When you are dealing with people in your own country, and your donor (or potential donor) is Mrs. Phiri (eg an individual) or Abu Bakr Cement Company (eg a firm), or the Ministry of Community Development (eg a government department), or the Brightwell Foundation (eg 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 relate to: 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.

Methodology

Display OHT 17. Go through it section by section and ask for corroboration or dissent. Ask for examples of names of organizations among those represented.

Communicating to Ordinary Citizens

- **Foreign donor organizations use different language from local people. They have developed their own jargon**

- **Local people usually understand local languages better than 'colonial' languages**

- **CSOs often need to 're-learn' how to communicate to their own countrymen and women**

- **Sometimes even the name of the CSO is not understandable to local people, let alone its purpose**

DAY ONE/SESSION THREE: WHY SHOULD ANYONE HELP A CSO?

3.2b Communicating your Mission to Ordinary Citizens

Purpose

To illustrate to CSOs that the language they use to explain the purpose of their work needs considerable modification for use with local donors.

Text

The most important statement about your organization—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 organization 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 that is created by the organization and by the constituency that the organization represents—it is *their* product and the statement of their purpose for the organization's existence. This is the organization's reason for being – and which needs to be communicated to potential supporters.

2.   The mission is the way that the organization focuses and mobilizes its resources—human, organizational, and financial. By that statement all concerned with the organization know the purpose for which they are working, they are organizing, 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.

Methodology

Show OHT 18, and explain the value of a mission statement. For some this will be new, for some a practiced routine.

Go through Exercise 2. Explain what you are trying to do. You need paper, marker pens, tape and a big wall. Post the different Sections of the Exercise on flip chart as the exercise proceeds.
1. Give out quarter sheets of flip chart paper to each organization and ask them to write their mission statement in a way that is understandable to local people. Display these and ask participants to look at each other's. Choose some examples and ask if the guard/cook/driver would understand what the CSO does. This usually produces the realization that they could not.
2. Ask the participants to translate their revised mission statements into the vernacular. Ask them to read it to each other. Is it understandable? Suggest they ask someone to translate the vernacular back into English for another version.
3. Ask participants to devise a slogan or motto for their organization. Read them out. Do they communicate?
4. Ask participants to re-think the name of their organization. Read them out. Do they communicate? Discuss what the participants have learnt from the exercise.

Understanding and Communicating Your Mission

Your Organization's Mission:

- **Provides the leading focus for mobilizing human, institutional, and financial resources**

- **Is constructed from the ideas of those who created the organization and those who will benefit from the organization (ie the constituency)**

The organization looks for resources to implement the mission,

NOT

The mission changes to reflect available resources.

Communicating your Mission

1.   Write your organization's Mission Statement
(if you have not already got an agreed Mission Statement, this is a statement of the <u>purpose</u> of your organization)

Display it for others to see

Will this communicate what your organization does to the person on the street outside? Get the other participants' reactions.

2.   Re-write your Mission Statement in your own language.

Display it for others to see
Read it out. Will this communicate what your organization does/does not do to the person in the street outside? Get other participants' reactions.

3.   Write a short slogan or motto for your organization

Display it for others to see
Read it out. Will this communicate what your organization does/does not do to the person in the street outside? Get other participants' reactions.

4.   Consider your organization's name.

Will the person on the street outside understand what your organization is/does? Consider possible changes.

Write and display for others to see. Get others participants' reactions.

DAY ONE/SESSION THREE: WHY SHOULD ANYONE HELP A CSO?

3.3 Educating Ordinary Citizens

Purpose

To explain that CSOs are able to educate citizens about conditions in their country at the same time as they explain their purpose to their countrymen and women.

Text

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. One 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, prejudice, 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 causes.

Methodology

Display OHT 19. Ask participants for examples of ways in which CSOs have educated people in their country about conditions or events that were otherwise not well known.

Educating Ordinary Citizens

- Part of CSOs work is to inform the public about abuses or difficulties that may not be well known

- Sometimes explaining their work and their purpose involves educating the public

- Educating the public if often a first step to getting their support for as particular cause

DAY ONE/SESSION THREE: WHY WOULD ANYONE HELP A CSO?

3.4 Diversity

Purpose

To prepare CSOs to look at a variety of possible donors, and learn how to communicate with them.

Text

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 these ten approaches for accessing existing wealth, or creating new wealth we will need to engage with some of the following range of people:

- The targets of your assistance - 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 and we are trying to encourage them to support our work, - and we are trying to persuade them to give funds to enable us to do the work that we have said we want to do.

Methodology

Go through OHT 20 section by section. Ask participants to think how they would communicate with them, gain their moral support, and gain their help in acquiring resources.

The important point is that participants realize that they are different kinds of people, offering different potential help, but requiring different approaches.

The Importance of Engaging with Diverse Parties

- **The beneficiaries or target group**

- **The local community around your target group**

- **The wider public**

- **Specialized groups within the public**

- **The business community - or particular businesses**

- **The government (national and local - political, legislature, executive, judiciary)**

- **The media**

- **Academics or the intelligentsia**

DAY ONE/SESSION THREE: WHY WOULD ANYONE HELP A CSO?

3.5   Two Kinds of CSOs and their Different Dynamics

Purpose

To clarify that different kinds of CSOs use funds in different ways, and CSOs must make this clear, and be responsible in carrying out agreed activities with donated funds.

Text

At this point we need to note the difference between the two kinds of CSOs - organizations that support and benefit their members, and organizations that support and benefit others ('third parties'), because these two kinds of organizations use funds in different ways:

A member benefiting organization is mobilizing funds from different sources for an organization managing programmes of which the members of the organization are the beneficiaries. This is the case of a CBO (Community-Based Organization) or a mass membership organization (sometimes called a People's Organization)

A third party benefiting organization is mobilizing funds from different sources for an organization that is managing programmes whose beneficiaries are other people, not the members. This is the case with a CSO, which is an intermediary organization - 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 organization. It is important to tell people what you are raising the money for; it is 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.

Methodology

Show OHT 21 in sections. Ask the participants for examples of member benefiting organizations. Do people have any objections to giving money to such organizations for such purposes?

Ask the participants for examples of third party benefiting organizations. Are CSOs always intermediaries?

Ask participants for examples or their experiences of funds being raised and then not being spent on what had been announced. What is the result of such behaviour? What can you do if circumstances change?

Two Kinds of Southern CSOs

Member Benefiting & Third Party Benefiting

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

- **Member Benefiting Organizations**

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

- **Third Party Benefiting**

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

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

DAY ONE/SESSION THREE: WHY WOULD ANYONE HELP A CSO?

3.6   Single and Multiple Approaches to Resource Mobilization

Purpose

To sum up the variety of possible approaches compared to the limited present options.

Text

The rest of this handbook will illustrate the differences between a CSO that derives its finance from a single resource, and one that derives its finances from up to ten different kinds of resources. The diagrams in OHT 22 give a schematic (and highly simplified) view of the differences. The most important point at this stage, therefore, is that there are a variety of approaches for resource mobilization. The rest of this handbook looks at each of these approaches and at some of the issues involved in these ten different approaches.

Methodology

Show OHT 22 as a whole. Illustrate the difference between relying on a single approach and a variety of approaches. Clarify that CSOs can choose which approaches fit their situation - they do not have to use all.

Single and Multiple Approaches to Resource Mobilization
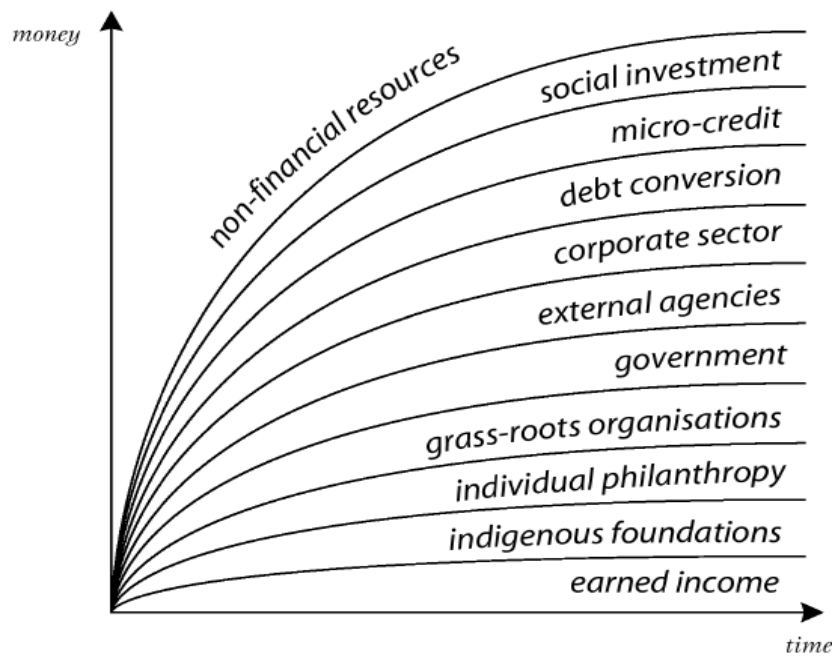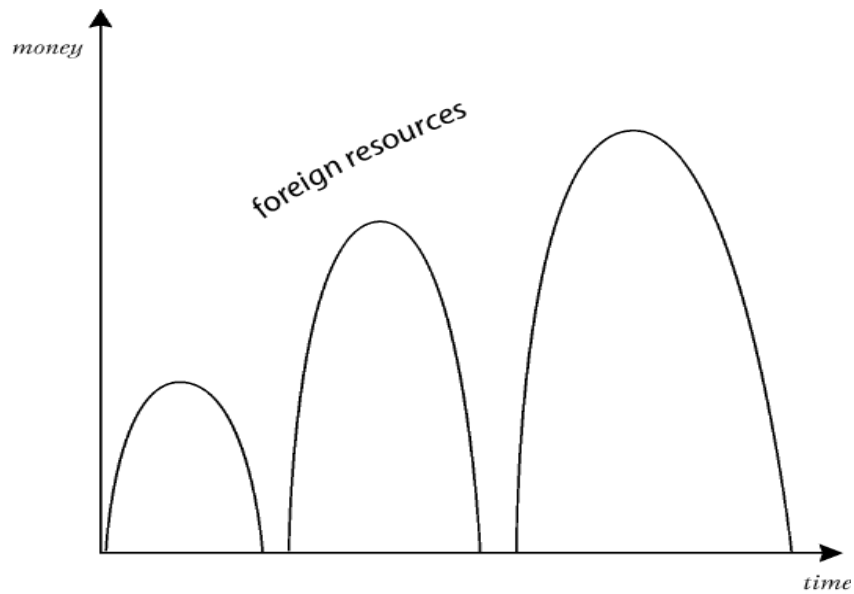
DAY TWO: WAYS OF MOBILIZING RESOURCES

- **SESSION FOUR: REVENUE FROM EARNED INCOME**
- **SESSION FIVE: INDIGENOUS FOUNDATIONS**
- **SESSION SIX: INDIVIDUAL PHILANTHROPY**
- **SESSION SEVEN: BUILDING GRASS-ROOTS ORGANIZATIONS**

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.1a Being 'Businesslike'

Purpose

To clarify what CSO people know and feel about business.

Text

Most people asked to define 'businesslike' would produce words like 'efficient', 'hard-working', 'professional', and '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 businesslike approach, in the literal sense of the word. But this produces a problem: it is well known that most people who are 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 abhor actively such behaviour. And yet, if CSOs are going to get involved in earning income for themselves, they must start thinking and behaving like business people.

Two aspects of the problem then surface:
1. How much experience do CSO people have with business?
1. Do CSO people want to behave like business people?

Consider this exercise: 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 who have had involvement with business, ask them what problems they (or their relatives) faced in the business world.

It is likely that the results of these exercises will demonstrate that:
* very few CSO people have had experience of business (most people working in the sector have come from social work, religious life, the civil service, academia);
* very few people have any idea of the kinds of problems that businesses face

Methodology

Introduce the topic as per the handbook. Ask participants who have ever made their income from running or working in a business to raise their hands. You will only have a few. Ask participants whose parents ran or worked in a business to raise their hands. You will have a few more. Ask them what kind of business it was, and the greatest difficulties they had with the business. Reflect with the participants on the small overlap between CSO and business people. Why? Where do most CSO people come from?

Involvement with Business

1. **Raise your hand if you have made your living by running or working in a business**

2. **Raise your hand if your parents made their living by running or working in a business**

   (for those who raised their hands)

3. **What kind of business was it?**

4. **What were the greatest difficulties in that business?**

   - **Why is there so little overlap between business and CSOs?**

   - **What backgrounds do CSO people come from?**

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.1b Being 'Businesslike'

Purpose

To find out what the participants think about business.

Text

The second exercise is to ask the same people what they would name as the characteristics of business people.

It is likely that the results of these exercises will demonstrate that some 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, and corrupt. On the other hand some people will put forward very positive characteristics of business people – like the fact that they are hard working, good decision- makers, far-sighted. It is important for all who are working in the sector to think and talk about their perceptions of business, and hopefully to agree that there is no reason why a respectable and admirable person cannot be involved in business, and no reason why they and their organizations cannot be involved in business.

Methodology

Have prepared a sheet called 'Characteristics of Business People' divided into 'Positive' and 'Negative'. Ask all participants to write 2 cards with words describing characteristics of business people. As they finish, pin them up under Positive or Negative. You are likely to have more Negative characteristics.

Ask participants to reflect on their potential desire and ability to develop enterprises for their CSOs as a way of generating revenue, if they have negative attitudes about business.

Attitudes about Business

Write two cards each with a word to give the characteristics of a businessperson.

Stick them up under 'Positive' or 'Negative'

- **Consider what the participants collectively think about business**

- **Is this a good foundation for starting an enterprise in your CSO?**

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.2 The Issue of 'Profit' and 'Non-Profit'

Purpose

To clarify the ways that CSOs can make income, but not profit.

Text

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 a CSO make a profit? - but also a philosophical one that is 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 make a few definitions clear:

1. For an ordinary profit-making business, the word 'profit' means an excess of income over expenditure that is distributed to private hands, either to the owners of the business or the shareholders in the business.
1. For a CSO, any income is reinvested, or ploughed back into the work of the organization in line with its objectives. 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 organization. A non-profit organization can indeed (and should) raise or generate income, but this does not compromise its non-profit status.

When governments set up the laws or statutes under which CSOs are legally registered, they have usually tried to make a distinction between civil society organizations 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 mentioned earlier, has become increasingly worried about CSO pretenders masquerading behind a social purpose, is quick to be suspicious about businesses that are 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.

Methodology

Read the text in the handbook. Show OHT 23 section by section. Ask the participants if they understand the distinction. Ask if they think others do also. If not, which groups do not accept it? Why? Are there examples of CSOs putting income into their pockets (ie generating profits)? Ask for examples of the legal position. Do participants think the legal position can be changed?

Clarifying Southern CSOs and Profits

Profits - for businesses - mean:

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

For CSOs

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

Points to remember:

- **The public and the government are increasingly suspicious of 'pretenders'**

- **The law usually refers to non-profit organizations, not, unfortunately, not-profit-distributing organizations**

- **CSOs need to educate the government law makers about the value of helping CSOs to make their own money (and thus not rely on government or foreign funding)**

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.3 Different Ways of Earning Income

Purpose

To give an overview of the four different ways in which CSOs can earn an income.

Text

With those general problems (of 'Characteristics of Business' and 'Profits') clarified, let us look at the four 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.

The next sections will look at each of these in detail.

Methodology

Show OHT 24, and go through them one by on. Do not try to explain them here, but say that each will be dealt with in turn.

CSO Revenue from Earned Income

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

- **Recovering (all or part of) the costs of Programmes**

- **Income from enterprises linked to the CSO's Mission**

- **Income from enterprises not linked to the CSO's Mission**

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.4a Building Income Together as Part of a Community Economic Activity

Purpose

To describe this method of earning income.

Text

Here a CSO has helped to establish an income-generating activity (IGA) for its target group - eg chicken farming, or pottery. In the usual way of things, the target group people earn their income from this activity, and the organization'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:

1.   It encourages the CSO to make sure that the 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 generating revenue in excess of costs. CSO stories are replete with unsaleable baskets, and loss-making craftware. If the IGA makes no money, the CSO makes no income.
2.   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 a CSO to set up an IGA that is actually exploitative of the producers, either because of ignorance of market pricing, or possibly avarice. An income for the organization should not mask exploitation of the producers.

Methodology

Show OHT 25 in sections.

Ask the participants if they can give any examples of this kind of enterprise.

Can participants give examples of such enterprises that do not make profits?

Can participants give examples of such enterprises that are exploitative?

Building Income Together

- as part of a community economic activity

1. The CSO involves itself in an income generation activity (IGA) of its target group. It has a share in the operation

2. The target group receives an income, and so does the CSO

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

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

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.4b Building Income Together as Part of a Community Economic Activity

Purpose

*To illustrate the different ways in which the approach of 'Building Income Together
as part of a Community Economic Activity' can work.*

Text

See the following two handouts:

- Handout 1:   CORR - the Jute Works, Bangladesh
- Handout 2:   Jairos Jiri Association, Zimbabwe

Methodology

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

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 organizations 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 another 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 organization 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 organization) will only continue if they remain smart entrepreneurs who research the market and produce for it, being prepared to change as the market dictates.

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

Jairos Jiri Association

The Jairos Jiri Association, probably the largest organization 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.

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

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.5a Cost Recovery

Purpose

To illustrate the different ways in which 'Income from Cost Recovery' can work.

Text

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 provided 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-subsidizing ie 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 just as the state should offer free services to the poor, so should CSOs. They see such organizations 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 that help people to make money should be paid for, and nearly all microcredit schemes, for instance, almost as an article of faith, demand a service charge (see more on this in Chapter 13, Microcredit Programmes). Some vocational training programmes also require payment for the courses undertaken, sometimes up-front, and sometimes from the income earned following the course when the graduate is gainfully employed.

Methodology

Read the text in the handbook and introduce the approach with reference to the text.
Show OHT 26 in sections. Ask if any participants are already practicing cost recovery. Does it exclude anyone? How do they handle that? Ask participants if they believe services are more valued if they are paid for. How does this square with absolute poverty?

Recovering Costs of Programmes

Origins of the idea

- Pragmatism - people will not value free goods or services: if they pay for them, they will use them more effectively

- Political Philosophy - free services come from a socialist perspective: paid services from a market perspective

What Can People Afford

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

What about Subsidies

- for those who cannot afford to pay?

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.5b Cost Recovery

Purpose

To illustrate the different ways in which the approach of 'Cost Recovery' can work.

Text

See the following handout:

- Handout 3:   PROSALUD, Bolivia

Methodology

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

PROSALUD - Self- Financing Health Services in Bolivia

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.

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

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.6a Enterprises Linked to the CSO's Mission

Purpose

To illustrate the different ways in which 'Enterprises linked to the CSO's Mission' can work.

Text

Here the question that the CSO has to ask itself is: 'Are there any activities related to the organization'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 organization is providing free to its target group? If the CSO is, for instance, running a nursery to produce fruit tree seedlings, can these be sold to wealthier farmers as well as given free to the target group?

Or, for instance, is there some new saleable product or service possible using the CSO's core experience? Consider this example of a CSO 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 People Living With AIDS (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 which was open to the public, and a more confidential service in another more secluded site, for which people paid. The income from the latter subsidized the costs of the former.

The CSO, however, had the skills to carry out the work of both the original mission, and the new variation of the mission. It was expanding its work in order to generate revenue, but in the general area in which it had experience.

CSOs need to do some brainstorming to consider what resources they are offering, and what they own, and then think entrepreneurially if and how they can find some way in which these resources can make money for them. Is it possible that the CSO's set of skills and equipment be packaged differently and appeal to a different market? Can, for instance, the CSO's photocopier operate commercially in the evenings and at weekends? Can the CSO's computers be used in commercial training courses as well as be used for its 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? An adventurous mind will find entrepreneurial possibilities in unlikely places: simply being in a place that others consider exotic is, for instance, a potentially saleable resource, as we can see from the handout on *Alternative Tourism.*

Methodology

Describe the approach. Show OHT 27. Ask the participants if any of them are selling their services to anyone other than the target group. Ask them to reflect on what they could sell or hire to different people - and make some suggestions to the group.

Enterprises linked to the CSO's Mission

- **Are there spin-offs from the CSO's main work which can make money from a different market?**

- **Are richer people prepared to pay for services offered free to the CSO's target group?**

- **Can the CSO's skills and equipment be packaged differently to appeal to a different market?**

- **Is there a new product or service using the CSO's core experience that can make money?**

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.6b Enterprises Linked to the CSO's Mission

Purpose:

To illustrate the different ways in which the approach of 'Enterprises linked to the CSO's Mission can work.

Text:

See the following handouts:

- Handout 4:   Pact, USA - Health Insurance for NGOs
- Handout 5:   Yayasan Bina Swadaya, Indonesia
- Handout 6:   Alternative Tourism

Methodology

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

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 organization 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.

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

Yayasan Bina Swadaya

Yayasan Bina Swadaya in Indonesia is an organization specializing 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 'Foundation') charged a service fee for the credit that 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 farmer's 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 organizations 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 realized 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.

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

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 hotels and tour operators decide what they see and experience is decided for them. 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 CSOs 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 CSOs 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 organizer.

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

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.7a   Enterprises Not Linked to the CSO's Mission

Purpose

To illustrate the different ways in which the approach of 'Income from enterprises not connected to the CSO's Mission' can work.

Text

Here the CSO is looking for anything that earns good returns on capital. To be successful, however, the organization should think of the following points:

a.   It should not require too high a degree of business acumen, since, as we have seem previously, CSOs are usually inexpert in this field. CSOs 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 CSO 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 CSO. An organization 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 CSO to be serious.

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

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

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

Methodology

Introduce the subject from the text. Show OHT 28. Ask participants if they can give any examples of CSO enterprises not linked to their mission. Does anyone have problems with this approach? What kinds of enterprise would work best? What about the danger of taking the CSO's energies away from the mission of the organization?

Enterprises Not Linked to the CSO's Mission

This could be anything that offers a good return on capital

BUT

- **Does not require too high a degree of business acumen**

- **Will not compromise the existing work of the CSO**

- **That capitalizes on free skills and experience of well-wishers**

- **Will not distract the CSO management from the CSO's main business**

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.7b Enterprises Not Linked to the CSO's Mission

Purpose

To illustrate the different ways in which the approach of 'Enterprises not linked to the CSO's Mission' can work.

Text

See the following handout:

- Handout 7: Zambian Red Cross and PROSHIKA, Bangladesh

Methodology

Distribute the case studies to the participants. Ask someone from the participants to read the case study out loud. Ask for any reflections on the story. Don't forget the Zambian Red Cross is a positive example, and the PROSHIKA Bangladesh is a negative example. Do they know any operations like that? Is it possible to do something similar in their circumstances?

Enterprises of the Zambian Red Cross & 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 that 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 (eg 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 that 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'.

Source: 'Depending on Ourselves - Zambian Experiences in Domestic Fund Mobilisation' by Hull and Holloway, Pact Zambia (1996)

PROSHIKA, a large Bangladeshi CSO 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.

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

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.8 Thinking Entrepreneurially

Purpose

To push participants to think entrepreneurially of some examples of this approach they might use.

Text

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.

Methodology

Explain the exercise as one in which participants come up with enterprise ideas based on the four approaches they have been introduced to.

Put up a sheet with name cards of the organizations present along the top.

Let them take time to think, then ask each organization to suggest two ideas each on two cards, and pin them up. Urge them to be as creative as possible.

Discuss these ideas with the participants.

Ideas for Enterprises for your CSO

Try to think of two possible enterprises for your CSO, based on the ideas discussed in this session

Write the ideas up on two cards and display them

Explain the ideas to the other participants

DAY TWO/SESSION FOUR: REVENUE FROM EARNED INCOME

4.9   Issues to Consider in CSO Revenue from Earned Income

Purpose

To point out the possible difficulties with this approach.

Text

- **The Conflict of a CSO culture and a Business Culture**

As we discovered in an earlier exercise, CSO people and businesspeople have different characteristics. It is well to recognize this rather than to expect CSO people to easily move between cultures.

- **The Lack of Business Management Skills and Experience**

This has been remarked on before. CSOs need to either engage in an enterprise that does not require such acumen, like renting buildings, or hire in such expertise that 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, it must decide what part of its financial resources, and what part of its human resources (ie its staff) should be allocated to the enterprise.

- **Access to Capital**

Where can the CSO hope to get the capital with which to start an enterprise? There are a variety of answers to this:

a.   From money raised by the CSO separately from foreign sources.
b.   From funds specifically requested from foreign donors.
c.   From gifts in kind eg a building.
d.   From a bank loan - just like entrepreneurs.

- **Relations with Foreign Donors**

Donors logically should 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

- **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 organization and what it does

- **Legal Status**

Following on from the points made earlier about the government's muddled understanding of CSOs that try to earn income, there may be complications about the legal status

- **Competition with the Business Sector**

Part of the hostility to a CSO business and its requests for tax-free treatment is likely to come from the existing business community, particularly when the CSOs enter fields that compete with them - property, service provision, trading. This problem, however, may be quite the opposite: businesses may be encroaching into areas that were previously considered to be the preserves of CSOs, which seems to be the pattern emerging in the United States.

Methodology

Prepare yourself with the text from the handbook. Show OHT 29 section by section. In each case, ask for examples from the participants, and ask how these problems were handled. If there is no example, ask how participants would handle such a problem.

Issues to Consider

- **Conflict between CSO culture and Business culture**

- **Lack of business management skills and experience**

- **Planning and allocating financial and human resources**

- **Access to Capital**

- **Competition with the Business Sector**

- **Relations with Foreign Donors**

- **Public Perception**

DAY TWO/SESSION FIVE: INDIGENOUS FOUNDATIONS

5.1   What are Foundations?

Purpose

To acquaint participants with indigenous foundations.

Text

Foundations are structures that are set up so that funds can be accumulated and made available in perpetuity to specific kinds of recipients as grants and/or loans to be used for specified purposes. Some countries have foundations that implement programmes directly as well as make grants to third-parties who implement programmes.

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 or even a business) to the foundation and the income earned from that asset is available for the Foundation to spend for its specified purposes.

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 organization makes 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, to a greater or lesser degree, may 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 Trustees made up of citizens who have been chosen for their particular skills and experience.

Foundations and trusts, however, are not only features of developed countries in the West. Charitable and philanthropic trusts exist in Japan, Korea, India, Pakistan, Bangladesh, Sri Lanka, South Africa, and in many countries of the world. They are a valuable feature of philanthropic life and need to be encouraged. Islam, wherever it is practiced, has a well-developed version of the philanthropic foundation in *waqf* (see Accessing Foundation's Wealth).

Methodology

Introduce the approach from the text. Show OHT 30 section by section. The idea is to introduce the subject only - the next section will be an exercise to get the participant's ideas.

What are Foundations?

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

They are started by:

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

They are set up to give away money

BUT

The terms and conditions are very specific

DAY TWO/SESSION FIVE: INDIGENOUS FOUNDATIONS

5.2   Indigenous Foundations

Purpose

To collect information from participants about indigenous foundations.

Text

What we are interested in accessing are indigenous foundations and trusts—structures that 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 and churches; but it is possible that the business community, or a few wealthy individuals, and perhaps the government, have set up independent trusts and foundations for particular purposes.

Methodology

Prepare a sheet with cards along the top saying 'Name of Foundation', 'Purpose of Foundation' and 'Origin of Foundation'.

Ask participants to fill out cards to provide information on foundations that they know about - any foundations, not just for development work.

Once the information is presented, look at it and discuss what information has been collected. What can we learn?

Has anyone put together a directory of foundations in your country?

What Foundations do you Know?

Write three cards in a set giving:

- **Name of the Foundation**

- **Purpose of the Foundation**

- **Origin of the Foundation**

and pin them up in front

Is this new information?

Has anyone used their services?

DAY TWO/SESSION FIVE: INDIGENOUS FOUNDATIONS

5.3   Why Are Foundations Created?

Purpose

To help participants the reasons for the creation of foundations.

Text

It is also a valuable exercise to discuss among 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 - eg 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 organization to manage this rather than operating it from inside the business.

- Governments wanting to set up a structure that will not be a political football that is dependent on which party is in power, but a structure that 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 CSOs 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 CSOs 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.

Methodology

Show OHT 31 section by section. Can the participants give examples of foundations started from such motives?

Why are Foundations Created?

- **Rich elders who want to pay back some of their income to society**

- **Rich individuals who want some particular interest of theirs to be continued**

- **Businesses wanting to show themselves good corporate citizens (and distance their giving from the business)**

- **Governments wanting to set up an independent, non-political body**

Any others?

DAY TWO/SESSION FIVE: INDIGENOUS FOUNDATIONS

5.4a Accessing Foundations' Wealth

Purpose

To help CSOs learn how to access the resources of indigenous foundations.

Text

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) to which the public does not have access: and public trusts that anyone or any organization who meets the purposes of the trust or foundation, can access. Such public trusts, moreover, are bound to declare publicly how their funding has been spent, thus allowing the public to check whether they are consistent with the purposes of the original statutes (and have not been hijacked by a particular interest). The problem often for CSOs is to find out what foundations exist, what their purposes are, and what their money has been spent on. It is important for CSOs to identify trusts and foundations in which there is a match between the two organization's 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 (like AIDS) and that the foundation should be made more relevant to current 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) is as valid and worth funding as the more traditional ways of dealing with the problem (eg building orphanages).

This approach is particularly possible with foundations that have been established for religious purposes. Within Islam, for instance, believers are encouraged to donate funds called *zakat*. Such funds are often used to buy food and clothes for the poor. Modern 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 handouts. They have suggested that the *zakat* funds could be used to create a foundation for microcredit operations that would lend money to the poor to start their own businesses and, hopefully, escape from their poverty.

Methodology

Read the text from the handbook. Show OHT 32 section by section. Do any of the participants have any experience of trying these approaches with foundations?

Accessing Foundations' Wealth

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

It is possible that the foundations purposes may be narrowly interpreted

CSOs can argue that:

- **Their activities fit the purposes of the foundation**

- **The purposes of the foundation are not addressing contemporary problems and they need to be modified**

- **Their activities are different ways of addressing a problem identified by the foundation**

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

DAY TWO/SESSION FIVE: INDIGENOUS FOUNDATIONS

5.4b Accessing Foundations' Wealth

Purpose

To persuade participants of the value of encouraging indigenous foundations to be created.

Text

So far we have been talking of mobilizing resources by accessing the wealth of indigenous foundations or trusts: Another (and in the long term, equally important) strategy is to encourage people or organizations 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 focused 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.

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, religious 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.

Methodology

Talk about the twin approaches of (a) accessing wealth from existing foundations and (b) persuading more individuals, companies and government offices to consider setting up indigenous foundations, or expanding the use of indigenous foundations.

Show OHT 33 in sections. Discuss the possibilities of encouraging indigenous foundations in your country. Ask for supporting and non-supporting factors and note them on flip charts.

Encouraging the Formation of Indigenous Foundations

Indigenous foundations are valuable because:

1. **They establish a focal point for organized and structured giving in the country**

2. **They create new sources of funding for CSOs**

3. **They encourage the enabling environment for formal philanthropy**

- **What factors would encourage the formation of indigenous foundations in your country?**

- **What factors would discourage the formation of indigenous foundations in your country?**

DAY TWO/SESSION FIVE: INDIGENOUS FOUNDATIONS

5.5   Case Study

Purpose

To illustrate the different ways in which the approach of accessing indigenous foundations can work.

Text

See the following handouts:

- Handout 8:   Fundacion Para la Educacion Superior (FES), Colombia
- Handout 9:   Healthy City Foundation (Banska Bystrica), Slovakia

Methodology

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

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 fundraising 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 CSOs and research organizations 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

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

Healthy City Foundation, Banska Bystrica, Slovakia

The Healthy City Foundation grew out of an earlier foundation in Banska Bystrica that went through an organizational 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 US$500,000 is needed to support its programmes completely and sustainably.

The Foundation provides support to local civil society organizations 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.

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

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.1   Who Do You Give To?

Purpose

To gather information from participants about their giving behaviour.

Text

CSOs are interested in accessing contributions from individuals to help their organizations, but if CSO staff, board and volunteers have never solicited funding from individuals, they should be aware 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 organizations for donations over the last six months. They should say what was the organization, (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 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 gifts.

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.

Methodology

Prepare a sheet called 'Personal Solicitation'. Ask all participants to think how many times they were approached for donations and by whom, in the last six months. Ask them to write the names of the organizations which approached them on cards (one organization, one card) and pin them up on the sheet. Once they are all up, ask which they considered to be particularly persuasive and impressive. Ask if they were persuaded enough to give.
What were the common elements in the solicitations? Write on flip chart.
Who are participants prepared to give to, and who not? Discuss philanthropy within your culture. How is giving understood and handled?

Personal Giving Experience Sharing

Who have you been approached by in the last six months (all kinds of approaches)?

(write one card for each organization that approached you)

Which were the most impressive and persuasive? Why?

How is philanthropic giving handled in your culture?

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.2   Organizations Soliciting For Funds

Purpose

To clarify the differences between traditional and new philanthropy.

Text

When the discussion moves to organizations soliciting individuals for money, you are departing to some extent from traditional practices. You are asking for the disinterested giving of someone's own resources to an organization (not a person, and not necessarily a person you know) as an expression of solidarity with fellow human beings, even though they may be strangers (and may not be people who you have ever thought of helping before). 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 that have evolved from a centrally planned economy, the state has been considered to be the agency that 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, there are skills to be learnt. In order for you to make a good income for your organization from individual philanthropy, you will need to:

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

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 organization personal time, their sweat, goods and materials, or their good advice.

Methodology

Go through OHT 34. Ask participants if people in their country are prepared to make this move (or have already done so).

Ask if they accept that government and donors have blocked the need and the opportunity for personal giving.

What are subjects that people are prepared to give to?

Creating a New Culture of Individual Philanthropy

New philanthropy is asking for the disinterested giving of:

- **someone's own resources (money, time, sweat, advice) to an organization (not a person, and not necessarily a person you know)**

- **as an expression of solidarity with fellow human beings**

- **even though they may be strangers (and may not be people who you have ever thought of helping before)**

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

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.3　Asking for Funds is not Begging

Purpose

To clarify the difference between begging and fundraising.

Text

Many people consider that fundraising 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 fundraising 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 organization'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.

Your organization then approaches then 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 organization'. You are not begging someone to do something they do not want to do, but are offering people a chance to support something that they would like to support, but do not know how to.

Methodology

Show OHT 35. Ask those who have solicited whether they liked doing so. Did they think they were begging? Reflect on the difference between them and a beggar. Have they experienced enthusiastic acceptance or only grudging agreement? What words do people use when accepting or refusing?

If the facilitator feels the dynamics are right, suggest role plays of solicitation and response to solicitation, and ask people to discuss their feelings in these roles.

Asking for Funds is not Begging

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

    They may also want to believe in it

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

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.4a Knowing How and Whom to Ask

Purpose

To help participants understand what skills they will need to access individual philanthropy.

Text

Now, of course soliciting funds from individual philanthropists will only make sense if you are able to get donations from considerable numbers of people. 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-off and long term commitment from people.

CSOs that 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 CSO people to get such practice is to think how they would explain their organization to the man/woman on the street/footpath, and how they would ask for funds, using a basic pro forma kind of fundraising brochure whose outlines appear on the opposite page. CSO staff can use this format (or something like it) to try and write a sample fundraising 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 fundraising brochure could be targeted, and how you can identify likely donors.

Methodology

Show OHT 36.

This lists skills that people will need - it does not offer to teach them. Ask participants who has such skills, or where such skills could be learnt.

Skills Required for Accessing Individual Philanthropy

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

- **Deal with large numbers of potential and actual donors**

- **Learn special techniques required for identifying them and asking them for resources**

- **Have many people working for your organization as volunteers to solicit donations**

- **Nourish and sustain those who have given in order to persuade them to give again**

- **Have a simple and understandable message**

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

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.4b Knowing How and Whom to Ask

Purpose

To help participants to decide to whom their solicitation should be directed.

Text

Some suggestions may come from the answers to the following questions:

What Sorts 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 organization 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 organizations 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 organization is working with people living with AIDS, it is likely that relatives would be interested in your mission, but need to be educated that organizations like yours exist and that anything can be done.

Who Do We Want to Support our Mission?
Here you are talking strategy—what groups within society are 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 organizations of organized religion, and 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, while others are more interested in promoting the arts, but all of them can be made aware of the current problems of society, and the work your CSO is doing to help with them. Do not think that your fundraising must be directed only towards the rich people in your country. In most countries the poor give proportionately more than the rich, usually because they can identify with the problems you are describing better than the rich can. Fundraising from individuals works best when there are lots of small contributions that together make a significant amount. It is possible, of course, to dream of a single huge benefactor, but that hope often stays at the level of dreams. While of course it is the money that primarily interests your organization when you are mounting a fundraising effort targeted at individuals or the public, there are also important non-monetary reasons for this kind of resource mobilization.

Methodology

Show OHT 37 in sections. After each section, explain what is meant by the question, and ask participants to consider which groups in society might be interested in their organization.
Ask them to think and write on their note pads, by organization, the answers to the three questions.

Identifying Potential Philanthropists

- **What sorts of people <u>are likely to</u> support our Mission?**

- **Who <u>should</u> support our Mission?**

- **Who do we <u>want to</u> support our Mission?**

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.4c Knowing How and Whom to Ask

Purpose

To introduce participants to solicitation skills through a brochure.

Text

Now, of course soliciting funds from individual philanthropists will only make sense if you are able to get donations from considerable numbers of people. 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-off and long term commitment from people.

CSOs that 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 CSO people to get such practice is to think how they would explain their organization to the man/woman on the street/footpath, and how they would ask for funds, using a basic pro forma kind of fundraising brochure whose outlines appear on the opposite page. CSO staff can use this format (or something like it) to try and write a sample fundraising 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 fundraising brochure could be targeted, and how you can identify likely donors.

Methodology

Give each organization a sheet of flip chart paper folded into quarters, like a 4-page brochure. Mark the pages 1,2,3,4.

Ask them to write a brochure following the format given. For 'photos' either ask for a drawing or a description of the photo that would go in that place, written.

Once they have done the task, ask them to display the brochures for all other participants to look at/read. Have a list of the organizations already written up, and ask participants to mark their three highest rated.

Then see which ones have the highest marks, show them to all, and ask what it is about these three that is most attractive or communicates best. Ask if any of them would persuade you to give.

Creating a Fundraising Brochure

| 1
Name of Organization

Photo

Mission Statement

Slogan | 2
About the Organization

Facts explaining why the organization is needed:

1----------------------------
2----------------------------
3----------------------------
4----------------------------
5---------------------------- | 3
A Case Study

Photo

Endorsements and Quotes about your work

------------------------------ | 4
How You Can Help

1----------------------------------

2----------------------------------

3----------------------------------

4----------------------------------

Address

--------------------- |

Produce a 4-page brochure for your organization, on flip chart paper folded in 4, using your marker pens and following the format above.

Display them, show them to each other, and choose the 3 most persuasive.

Critique them.

Would any of them persuade you to give?

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.5 Non-Monetary Reasons for Supporting Individual Philanthropy

Purpose

To clarify other than monetary reasons for supporting individual philanthropy.

Text

There are many reasons, apart from the actual money that is collected, for involving your organization in individual philanthropy:

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

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

- Individual donations give the CSO 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 fundraising 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 CSO is now responsible and accountable to a large constituency of local people who have, in effect, voted for the CSO 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 beneficial for your society as a whole.

Methodology

Introduce the topic and ask participants for ideas on non-monetary advantages of individual philanthropy. Write them on flip chart.

Show OHT 38 section by section, and discuss.

Non-Monetary Reasons for Supporting Individual Philanthropy

- **Many hundreds (thousands?) of supporters gives stability**

- **Individual giving supplements and balances irregular giving from other sources**

- **The CSO gets untied funds and autonomy**

- **Proposals are simple**

- **Income is easy to administer**

- **The CSO is accountable to a large constituency which has voted with its donations**

- **People act for themselves, not leave it to others to act for them**

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.6   The Enabling Environment

Purpose

To help participants understand some of the factors affecting the environment for individual philanthropy.

Text

There are other issues that 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 fundraiser is a close observer of new cultural patterns.

Public Awareness of Society's Needs: If the public is unaware of some of the things that are happening in your country that need to be reformed, then part of your job will be the kind of public education which will create, in effect, your market for fundraising.

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 organization'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 organization and its staff. If your organization is conspicuous by its expensive four-wheel drive vehicles and computers (what has been called 'the Pajero and PC Syndrome'), the public may not want to respond to appeals.

The Helpful Context: Simply asking people face to face to give money to your organization is the simplest form of fundraising; however, that requires large numbers of people to go out and do the asking. A society that allows people to pay by cheque, a society that does not condone stealing collection boxes, and a society that allows tax concessions for those who give to CSOs, are all societies which enable CSOs 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. In many countries the tax base is very small.

Methodology

Introduce the topic. Ask participants to suggest elements in the external environment that are conducive to individual philanthropy.
Show OHT 39. Go through each section and explain.

The Enabling Environment

- **The Economy**

- **The Culture**

- **Public Awareness of Society's Needs**

- **The CSO's Credibility**

- **The Helpful Context**

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.7   Methods of Individual Fundraising

Purpose

To introduce participants to eight methods of individual fundraising.

Text

After this discussion about the nature of individual fundraising, how do you go about it? There are eight 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. A ninth possibility is Internet fundraising, which is a new and growing field, and is treated separately in chapter 15.

In Person: Here, people, usually volunteers working to help your organization, ask members of the public for donations. There are traditions of collection boxes, or envelopes left to be collected later, of static collection boxes left in shops, at airports, in public places.

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.

At Events

Most countries have a tradition of fundraising events—dinners, concerts, sponsored sports events, sponsored walks, fairs, etc. Many events will become more attractive if a celebrity is involved - like a film star, a musician, or a sports personality.

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.

Through the Telephone: Just as it is possible to make a solicitation through the mail, it is also possible to make a solicitation through the telephone, but it is much more difficult.

Through the Media: Many CSOs have had success by advertising their organization in the media (papers and TV or radio) and through such advertisements, asking for contributions.

Through Imaginative Ideas: People who are fundraising from the public must think of creative ways in which large numbers of members of the public can be separated from small amounts of money that they will not notice, and can be persuaded to send them to your CSO.

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.

Methodology

Go through the handbook to get the information for this section. Use the examples provided
Show OHT 40 section by section. At each topic ask if participants know of people in their country doing this, and with what results.

Methods of Individual Fundraising

- **In Person**

- **At the Workplace**

- **At Events**

- **Through Direct Mail**

- **Through the Telephone**

- **Through the Media**

- **Through Imaginative Ideas**

- **Legacies**

DAY TWO/SESSION SIX: INDIVIDUAL PHILANTHROPY

6.8   Best practices

Purpose

To suggest to participants likely successful practices.

Text

Lessons from professional fundraisers suggest the following best practices:

- See your fundraising 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 fundraising efforts.

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

- Sincerely thank donors many times for their contributions.

- All donors - big as well as small – are valuable. Small donors can be cultivated to become large donors over time.

Methodology

Show OHT 41 section by section. This is a summing up section, so do not expect much discussion. Ask participants if they have any comments.

Best Practices

- **Offer people an opportunity for doing something worthwhile**

- **Listen to donors - spend time with them**

- **Tell them about your beneficiaries or target group**

- **Appeal to the heart as well as the head**

- **Thank donors regularly and frequently**

- **Both major and minor donors are important - minor donors can grow**

DAY TWO/SESSION THREE: INDIVIDUAL PHILANTHROPY

6.9   Case Studies

Purpose

To illustrate the different ways in which the approach of accessing Individual Philanthropy can work.

Text

See the following handouts:

- Handout 10:   HelpAge, India
- Handout 11:   Al-Amal Centre for Cancer Care, Jordan

Methodology

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

HelpAge, India

HelpAge India is the largest secular voluntary organization 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 organization is constantly looking out for and acquiring addresses of potential donors through such means as newspaper advertisements. Relevant data are computerized 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 organizers attribute much of this success to careful planning, constant testing, and evaluation of the mailing lists, and increased public awareness of the organization's objectives

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

Al-Amal Centre 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. Al-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' fundraising 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 Late 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, 6500 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.

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

DAY TWO/SESSION SEVEN: BUILDING GRASS-ROOTS ORGANIZATIONS

7.1a What are Grass-roots Organizations?

Purpose

To clarify what are grass-roots organizations for participants.

Text

Grass-roots organizations are village (or urban neighbourhood) 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 organizations (GROs), also called community-based organizations (CBOs), and, all too often, they feel that they have to raise the funds necessary for the activities of such GROs/CBOs. Many resources, however, can be mobilized at the grass-roots level by grass-roots organizations themselves - resources that an outside organization would not be able to access. Grass-roots organizations are also often indigenous and traditional organizations. 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 inaccessible by outside CSOs, but it means that CSOs do not have to try to raise those funds if the GROs are raising them themselves. GROs can also generate funds for themselves, and depending on the activity, CSOs can help them to do this, and by doing so:

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

GROs and CBOs were originally formed to address concrete problems of their members in social (eg ritual, dispute resolution), economic (eg production, marketing), or natural resource (eg 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.

Methodology

Introduce the subject. Show OHT 42 in sections.

This is different from other approaches. You are talking about how the CSO can acquire resources, but how it can be prevented from spending its resources (because the funds can be raised by the GROs). CSOs can thus save money that would otherwise be spent. The point is that CSOs can help GROs to build their own capacity - and part of that capacity is to raise their own funds - funds that the CSO would otherwise have to raise itself.

Building Citizens' Grass-roots Organizations

- **More resources could be raised by the GROs/CBOs that you work with - thus freeing the CSO from needing to raise those funds**

- **GROs/CBOs were originally formed to address the concrete problems of their communities**

- **Now they can do more - they can engage with development problems, generate resources from their community and access resources from outside**

DAY TWO/SESSION SEVEN: BUILDING GRASS-ROOTS ORGANIZATIONS

7.1b What are Grass-roots Organizations?

Purpose

To illustrate the kinds of organizations that fall into this category.

Text

Here are some examples of GROs that interact with agencies beyond the original community - often national government departments, but also CSOs, donors, and local government:

- **Social**
  - PTAs (Parent-Teacher Association)   -Village pharmacies
  - Mothers' clubs   -Nutrition clubs
  - Drinking water committees   -Neigbourhood watch groups
  - Village health management committees   -Peace & 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.

Methodology

Show OHT 43 in sections. Ask participants if such kinds of organizations exist in their countries, how they started, and how they are operating now. Many of these will be 'induced' organizations - ie introduced by outsiders, and may only exist as long as incentives exist.

Examples of GROs

- **Social**
  - PTAs (Parent-Teacher Association)
  - Village pharmacies
  - Mothers clubs
  - Drinking water committees
  - Neigbourhood watch groups
  - Village health management committees
  - Peace & conflict resolution committees

- **Economic**
  - Producers' groups
  - Cooperatives
  - Credit unions
  - Savings and credit clubs
  - Women's income generating groups

- **Natural Resource Management**
  - Irrigation users' groups
  - Grazing associations
  - Community forestry associations
  - Fisherfolk associations

DAY TWO/SESSION SEVEN: BUILDING GRASS-ROOTS ORGANIZATIONS

7.1c What are Grass-roots Organizations?

Purpose

To identify GROs in your country and their different functions.

Text

The first task in this section is to identify what grass-roots organizations 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 organizations. Try to make a list of all organizations that you know together with their original functions and any new functions that they may have taken on.

Methodology

Prepare a chart with three columns titled 'Grass Roots Organizations', 'Original Functions', 'Present Functions'.

Ask participants to fill in three cards for whatever grass-roots organizations they are aware of and stick them up. No matter if the original and present functions are the same in some cases.

Ask participants to read their contribution and explain the organization to the group.

Ask participants what has been lost and what has been gained as traditional organizations take on new functions. Particularly ask about who is in charge, and whether this has changed over time.

Identify Grass-roots organizations and their functions

Grass-Roots Organization	Original Function	Present Function
1		
2		
3		
4		
Etc.		

Individually write three cards for each Grass-roots organization that you can think of, and pin them up

What has been lost and what gained as these organizations take on new functions?

Who is in charge of these organizations?

DAY TWO/SESSION SEVEN: BUILDING GRASS-ROOTS ORGANIZATIONS

7.1d What are Grass-roots Organizations?

Purpose

To help participants to understand the strengths of GROs.

Text

GROs are, above all, membership organizations in which the membership provides the governance of the organization, and the members are the beneficiaries of whatever improvements or benefits the GRO brings. Usually they are formed locally to address a locally identified problem, although sometimes their formation is induced by outsiders (like government community development workers, or CSO animators). However, once they have been formed they need to accept and indigenize the identified problem as one that they recognize as important (for instance child spacing and birth control). Because they are voluntarily formed to address a local problem that requires the provision of a local good or service, they have strengths that an outside body, be it a government agency or a CSO, does 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 that are larger than the village or urban-neighbourhood 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 that 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 being directed increasingly 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 that are not usually so local. CSOs, however, can build up GROs to take on that role, and help them to command the new resources that will be available.

Methodology

Ask participants to identify the strengths of GROs. Note these on flip charts.

Show OHT 44 in sections. Ask for examples of how GROs they know carry out these functions.

Strengths of GROs

- **charge fees from their members**

- **mobilize and earn income from the resources that they control**

- **get voluntary donations in cash and kind**

- **lobby for and attract resources available to local groups from local government**

and politically

- **confront powerful interests from the state or market**

- **overcome harmful outside interests**

- **make sure that outside interests helpful to them are supported**

DAY TWO/SESSION SEVEN: BUILDING GRASS-ROOTS ORGANIZATIONS

7.2   GROs Mobilizing Resources

Purpose

To illustrate the ways that GROs can mobilize resources.

Text

GROs can mobilize resources in the following ways:

- 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 to realize their own resources (both physical and skills).

- They can set up membership structures that 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 (eg 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 that operate in their areas (eg seed and fertilizer companies, timber extraction firms, fish-processing plants) either as donations or levies.

Methodology

Ask for suggestions from the participants about how GROs can mobilize resources.

Show OHT 45 in sections and ask for examples.

Ask participants to consider whether anyone else (particularly CSOs) could mobilize these resources as well.

GROs Mobilizing Resources

- **Mapping and analyzing community resources**

- **Membership strategies**

- **Generating resources by providing goods and services for a fee**

- **Collecting from home-town associations**

- **Collecting from businesses**

- **Collecting from local government**

7.3   Federations of GROs

Purpose

To illustrate the greater impact that can come from federations.

Text

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 thousands of subscriptions, savings deposits, fees and levies. Such organizations can own their own banks, their own processing companies, and/or their own heavy equipment. Such federations can organize, 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 elected officials, 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 organizations that work to build citizens' membership organizations, and thus does not view CSOs as organizations that themselves implement work at the grass-roots. If a CSO is seeking to implement the work itself, usually it has to find the funds itself, if a CSO helps to create and build up a GRO, it is likely that the GRO can mobilize substantial amounts of its own funds.

Methodology

Ask participants if they know of any federations of grass-roots organizations in their country.
Show OHT 46 and go through it. Ask for examples of how local federations have done the things illustrated.

Federations of GROs

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

- **Multi-thousand subscriptions to common funds**

- **Ownership of their own assets**

- **Ownership of their own transport**

- **Possibilities of cross-subsidies for poorer areas**

- **Venture capital for new investments**

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

DAY TWO/SESSION SEVEN: BUILDING GRASS-ROOTS ORGANIZATIONS

7.4   Non-Financial Aspects of GROs

Purpose

To illustrate the non-financial aspects of GROs.

Text

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

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

And: if possible;

- the citizens' ability to federate and form larger groupings.

Methodology

Show the 47 section by section. Emphasize that the growth of political power of GROs is very likely to lead to economic power.

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

Make sure that participants understand that the funds raised by the GROs do not go to the CSOs - they save the CSOs from spending money on GROs.

Non-Financial Aspects of GROs

- **citizens' ability to organize themselves**

- **citizens' ability to access resources from government**

- **citizens' ability to negotiate with government**

- **social capital (trust, conflict resolution, tolerance, collaboration)**

and, if possible,

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

DAY TWO/SESSION SEVEN: BUILDING GRASS-ROOTS ORGANIZATIONS

7.5   Case Studies

Purpose

To illustrate the different ways in which the approach of Building Grass-roots Organizations can work

Text

See the following handouts:

- Handout 12:   Jardim Shangri-La, Brazil
- Handout 13:   Credit Unions in Lesotho

Methodology

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

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$ 7000 grant from the Fundo Inter-Religioso, a small projects fund operated by an ecumenical coalition of church groups and CSOs, 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 7000 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 Citizens' 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.

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

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 organized 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 to 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 organization - 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.

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

DAY THREE

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

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.1   Complicated Relations

Purpose

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

Text

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

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

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

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

Methodology

Discuss government's functions in a country. What did it use to provide, and what does it provide now under Structural Adjustment Programmes (SAP)? Are CSOs being asked to do what governments used to do? Do any participants have any examples of CSOs receiving government funding? Ask for the story.
Show OHT 48 - which of these positions do the participants subscribe to?

Range of Positions between CSOs and Government

- **Keep away from government altogether**

- **Just deal with the part of government that you approve of**

- **Challenge the government - it is merely holding resources on behalf of the public**

- **Recognize 'real politik' - government has the power, CSOs must learn to play its game.**

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.2   Ways of Working Together

Purpose

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

Text

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

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

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

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

b.   By accepting government contracts - ie for the CSOs to do what the government wants done. In such a case the funding is driven by the CSOs' desire for income, although, of course, it is possible that the government's mission and the CSOs' mission coincide.

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

Methodology

Read the handbook and use the Gram Vikas example. Have any participants had foreign donors pressuring government to use its money to fund CSOs?
Show OHT 49. Have any participants had experience of either way of working? Which is more advantageous from the CSO perspective?

Two Ways to Approach Government

1. **The CSO persuading the government to support by grants what the CSO wants to do (CSO Mission Driven)**

2. **Government contracting the CSO to do what the government wants to do (CSO Income Driven)**

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

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.3   Ways of Working Together

Purpose

To understand the strengths and weaknesses of both parties.

Text

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

Methodology

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

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

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

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

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

Strengths and Weaknesses of Both Parties

Participants divide into two

Each group to write up on flip chart paper:

1. Strengths of Government

2. Weaknesses of CSOs

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

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

How does government, in general, regard CSOs?

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.4   Constraints to Working Together

Purpose

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

Text

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

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

Methodology

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

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

Constraints to Working Together

- **Lack of understanding of each other's goals**

- **Inability of government to identify good working partner CSOs**

- **Restrictive government procedures**

- **Lack of clear government policy on CSOs and resultant distrust**

- **Poor communications between them**

- **Contrasts between 'top-down' and 'bottom-up' approaches**

- **Poor understanding of each sides relative strengths and weaknesses**

- **CSO's lack of accountability to their clients and public at large**

Are these also true of relations with local government?

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.5 Benefits and Disadvantages of Government-CSO Collaboration

Purpose

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

Text

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

Benefits and Risks from the Governments' Perspective

Benefits	Risks
• Better delivery for government services	• Government services shown to be inefficient by the CSO's presence and actions
• More information available to the government from the grass-roots	• CSOs' mobilization work may promote social instability
• More interaction with the target groups of the programme/project	• The demand for government services may increase beyond the capacity of the government to meet it
• Enhanced cost-effectiveness	• CSOs may compete with the government for funds
• Greater coordination of CSOs' activities	• Greater control of CSOs

Benefits and Risks from the CSOs' Perspective

Benefits	Disadvantages
• Improved access by the CSO to policy formulation	• Cooption by the government and greater government controls
• Access to specialist research facilities and expertise	• The CSOs grow to assume a more bureaucratic character
• An opportunity to improve and reform government services from within	• The loss of CSO autonomy and independence
• Access to new technologies	• Relegation to mere service provision, to the detriment of the CSOs' wider programmes
	• Loss of credibility among CSO clients
	• Tendency to maintain existing social and political conditions
	• The substitution of the CSO for government services perpetuates government inefficiency and absolves them of responsibility
	• The government takes credit for the CSOs' achievements

Methodology

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

Benefits and Disadvantages of Working Together

Benefits and Disadvantages from the Government's Perspective

Benefits	Risks
• Better delivery for government's services • More information available to the government from the grass-roots • More interaction with the target groups of the programme/project • Enhanced cost-effectiveness • Greater co-ordination of CSOs' activities	• Government services shown to be inefficient by the NGO's presence and actions • NGO's mobilization work may promote social instability • The demand for government services may increase beyond the capacity to meet it • NGOs may compete with the government for funds • Greater control of CSOs

Benefits and Disadvantages from the CSOs' Perspective

Benefits	Risks
• Improved access by the CSO to policy formulation • Access to specialist research facilities and expertise • An opportunity to improve and reform government services from within • Access to new technologies	• Cooption by the government and greater government controls • The CSOs grow to assume a more bureaucratic character • The loss of CSO autonomy and independence • Relegation to mere service provision, to the detriment of the CSOs' wider programmes • Loss of credibility among CSO clients • Tendency to maintain existing social and political conditions • The substitution of the CSO for government services perpetuates government inefficiency and absolves them of responsibility • The government takes credit for the CSOs' achievements

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.6 Getting to Know the Government

Purpose

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

Text

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

- **What is the source of the government's revenue? How does this affect developmental decisions?** To illustrate this, an anti-smoking lobbying organization in Bangladesh had no difficulty in persuading the Ministry of Health of the harmful effects of smoking and the costs to the country in health care and days off work. The Minister of Health, however, informed the CSO that the income to the Bangladesh exchequer from taxes on cigarettes was simply so important that it was non-negotiable.

- **What government funds have been budgeted for what projects?** Can the CSO get access to the national budget? Is the budget as stated likely to be realistic? Are the planned funds likely to be actually disbursed?

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

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

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

Methodology

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

Getting to Know the Government

- **What is the source of the government's revenue? How does this affect developmental decisions?**

- **What government funds have been budgeted for what projects?**

- **How does the CSO get invited to bid?**

- **What are the government procedures?**

- **Does government have a 'niche' for CSOs?**

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.7 Working Relations

Purpose

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

Text

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

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

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

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

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

Methodology

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

Working Relations

- **Extensive time spent by the CSO lobbying and arguing their case with the government**

- **Competition for the CSO from other for-profit contractors**

- **Inefficient payment systems that may require the CSO to front some costs and be reimbursed - with all the dangers of delays in such re-imbursements**

- **Cumbersome bureaucracies which may take a long time to process the CSO's funding or procurement requests**

- **Design faults in government programmes that may not be renegotiable.**

- **The CSO is required to collaborate with an inefficient government system**

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.8 Legitimate Questions by Government of CSOs

Purpose

To clarify what information government requires about CSOs.

Text

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

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

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

Methodology

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

Legitimate Questions

- **What does the CSO stand for? Area of work? Past activities? Evaluations? Audits?**

- **Who is in charge? Is it well governed? In accordance with the law?**

- **What is the impact? Who benefits?**

- **Are there well-managed accounts? Is it dependable?**

- **Does the CSO accept and implement Government policies?**

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

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

Purpose

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

Text

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

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

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

Methodology

Show OHT 55

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

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

Government's Responsibilities - and the CSO's

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

- <u>Should</u> CSOs take over such work?

- <u>Can</u> CSOs take over such work?

Important Questions

1. What are government's rightful responsibilities?

2. What is a CSO's role vis-à-vis government?

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.10 Non-Financial Resources from Government

Purpose

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

Text

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

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

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

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

Methodology

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

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

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

Non-Financial Resources from Government

- **Land**

- **Buildings**

- **Personnel**

- **Artisans**

- **Food Aid**

- **Enabling Environment**

  - **Policies to enable consultation to take place**
  - **CSO policy**
  - **Taxation Policy**
  - **Access to information**

DAY THREE/SESSION EIGHT: RESOURCES FROM GOVERNMENT

8.11 Case Studies

Purpose

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

Text

See the following handouts:

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

Methodology

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

Local Cooperation in Gdynia, Poland

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

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

In January 1995, the city accepted the plan, and appointed a consultant to the Mayor on CSO issues. The main turning point in the launching of the project took place in April 1995, when CSDF, together with the CSO coalition and the city, held a meeting with city council representatives as well as representatives of over 100 non-profit organizations. The CSOs elected a coordination committee to support activities in Gydnia and a Consultation Commission to evaluate the cooperation project. In June 1995 the programme of Cooperation between the local Government of Gydnia 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 Gydnia Centre of CSOs opened its doors, serving as a meeting place for over 40 grass-roots organizations and providing access to computers and a library. The office was donated by the municipality, and two of the employees are paid by the City. CSOs contributed 10 volunteers, and CSDF supports the maintenance of the centre.

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

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

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

Medical Assistance Programme, YMCA Lebanon

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

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

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

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

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

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

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

9.1 Foreign Funding for Organizational Self-Reliance

Purpose

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

Text

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

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

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

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

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

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

Methodology

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

Existing Funding Types

- **Emergency relief and welfare grants**

- **Small grants tied to specific development projects, time limited and with specific budgets**

- **Programme grants that allow the CSO to take its own decisions within agreed programme areas, and adapt its plans as necessary**

- **Grants for revolving loans, specifically for CSOs working in the microcredit business**

- **Unearmarked organizational grants - ie contributions towards the whole of the CSOs work for them to use as they see fit**

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

9.2   Financing Fundraising Strategies

Purpose

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

Text

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

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

Methodology

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

Foreign Funding for Organizational Self-Reliance

- **Financing fundraising strategies**

- **Providing venture capital funding**

- **Building reserve funds (sometimes called Corpus Funds)**

- **Providing endowments**

9.3 Challenging Foreign Donors' Commitment to Financial Self-Reliance

Purpose

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

Text

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

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

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

Methodology

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

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

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

Financing the Resource Mobilization Approach

Chicken and Egg Situation

- **CSOs are not asking for it**

- **External Donors are not offering it**

- **Need for greater knowledge of existing experience**

- **Need to challenge external donors on their commitment to self-reliance**

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

9.4 Providing Venture Capital Funding

Purpose

To illustrate the problems in getting venture capital funding.

Text

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

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

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

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

Methodology

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

Providing Venture Capital Funding

Foreign Donors will require:

- **A mutually satisfactory preliminary period of working together through grant funding**

- **A very clear business plan (a building is a least risk option)**

- **The separation of the business from the CSO**

- **Comfort that the Governance of the CSO will not move away from its Mission**

Business Success will Encourage Further Funding

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

9.5 Non-Financial Resources

Purpose

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

Text

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

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

Methodology

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

Non-Financial Resources

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

- **They have funded CSOs to be self-reliant in the past**

- **They know examples of financially self-reliant CSOs from their own countries**

- **They know examples of financially self-reliant CSOs from other countries**

- **They may be able to supply legal, business, and other technical assistance**

- **They may themselves have experience of trying to be financially self-reliant themselves**

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

9.6   Case Study

Purpose

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

Text

See the following handouts:

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

Methodology

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

Organization of Rural Associations for Progress (ORAP), Zimbabwe

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

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

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

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

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

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

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

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

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

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

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.1 Businesses That Have Helped CSOs

Purpose

To get an overview of businesses that have helped CSOs.

Text

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

Methodology

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

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

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

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

List Businesses That Have Helped CSOs

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

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

What kinds of help are most common?

What organizations/causes get most help?

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.2 Why do Businesses Give to CSOs?

Purpose

To get an overview of the reasons businesses help CSOs.

Text

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

Methodology

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

Reasons for a Business to help a CSO

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

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

- **Because their competitors are supporting good causes**

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

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

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

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.3 What's In It For Me?

Purpose

To get an overview of the reasons businesses help CSOs.

Text

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

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

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

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

To build employee morale:
- through the development of employees' living area;
- through offering volunteering possibilities;
- through offering donation-matching programmes.

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

Methodology

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

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

Business Goals

- **To build employee morale:**

  - **through the development of employees living area**
  - **through offering possibilities of volunteering**
  - **through offering donation matching programmes**

- **To develop the companies business image and its market development:**

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

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.4 Research in the South

Purpose

To show an example of research in this area.

Text

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

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

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

Methodology

Such research is done heavily in the North, but there are not many examples from the South. Do participants think that there would be big difference in the attitudes of businesspeople in their country?
Show OHT 64. Are their any surprises here? Is this what participants expect?

Research into Business Giving in Pakistan

- **20 per cent had written corporate giving policies.**

- **93 per cent engaged in one or other form of social development activities**

- **'Corporate social responsibility' meant:**
  a. paying taxes
  b. looking after employee welfare;
  c. making donations to CSOs, charities, and/or target groups and needy individuals;
  d. seconding staff to charitable projects.

- **Companies supported health (at 37 per cent), education (at 25 per cent), environment protection & pollution control (at 20 per cent), child welfare (at 16 per cent).**

- **'Personal relationships' were the most important factor in choosing who to help**

- **Only 'well known/credible' organizations considered.**

- **Most reported satisfaction with their interventions**

- **Reasons for involvement were (a) altruism (b) building the image of the company (c) enhancing public goodwill**

- **None of the respondents volunteered tax benefits as an incentive.**

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.5 Corporate Social Responsibility

Purpose

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

Text

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

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

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

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

Methodology

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

Spectrum of Corporate Social Responsibility

a.   **Corporate Philanthropy**

b.   **Business/community Partnerships**

c.   **Strategic Business Interest**

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.6 Negotiating with Business

Purpose

To learn the arguments to use with businesses.

Text

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

CONCERN INDIA: Questions and Answers

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

Why should I be asked to do this? I pay taxes, shouldn't the government be doing this?
- *Government does not always have the capability or resources to do everything.*
- *There are some things that are best done by CSOs and local communities.*
- *There are some sorts of support and expertise that only companies can provide.*

How do I make sure that my money will be well spent?
- *Select a project that meets your criteria, has clearly identified objectives and the right development approach.*
- *Route your support through a credible development agency.*
- *Insist on the CSOs providing you with the feedback you require.*
- *Visit the project.*

I don't have any spare funds, so how can I contribute?
- *You can give material resources, such as old furniture and equipment, or company products.*
- *You can provide technical know-how, financial and management skills, media links.*
- *You can help implement schemes through your company's operations - like constructing low-cost housing or toilets.*

Source: WWFH

Methodology

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

Concern India: Questions and Answers

Why is giving relevant to my company?

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

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

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

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

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

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

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.7 Overtures from the Corporate Sector

Purpose

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

Text

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

Methodology

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

Overtures from the Corporate Sector

- **Companies are increasingly looking for CSOs**

    - **either directly**
    - **or through a business foundation**

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

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

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.8 Limitations and Barriers

Purpose

To learn about limitations to good corporate social responsibility.

Text

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

- **Many Requests, Limited Resources:** Businesses will tell CSOs how many requests they receive for funds. Usually they will say that most are consigned straight to the wastepaper basket since such proposals are photocopied letters without any attempt to identify the interest of the business except as a writer of cheques.

- **Corporate Structures and Responsibilities**: CSOs do not necessarily know whom they should approach with their proposals. CSOs do not know to whom they must make their pitch, and they may target the wrong person who does not have either the budget or the mandate to support the CSO.

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

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

- **Personnel Changes**: CSOs should aim, wherever possible, to get an organizational commitment to helping your agency rather than just the interest of an individual. This can be done by providing reports and encouraging visits from a range of people in the company.

- **Stereotypes**: It is likely that CSOs have strong stereotypes of the business world, and it is also likely that the business world has strong stereotypes about the CSO world. The first exchanges between the two are likely to need time for these respective prejudices to be aired and dealt with. The request for, and acceptance of, corporate social responsibility should be entered into by people who respect each other, and respect the value of what each other is doing. If you think you should be lobbying against a particular business, do approach them for funds or respond to their solicitation.

Methodology

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

Limitations and Barriers

- **Many requests, limited resources**

- **Corporate Structures & Responsibilities**

- **Business unfamiliarity with CSOs and Community issues**

- **Time**

- **Personnel Changes**

- **Stereotypes**

DAY THREE/SESSION TEN: RESOURCES FROM THE CORPORATE SECTOR

10.9 Case Studies

Purpose

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

Text

See the following handouts:

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

Methodology

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

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

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

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

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

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

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

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

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

Citicorp's Banking on Enterprise

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

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

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

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

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

Source: Responsible Business - A Financial Times Survey, 1998

Philippine Business for Social Progress

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

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

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

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

DAY THREE/SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS

11.1 Building Reserve Funds

Purpose

To illustrate how reserve funds can be built up.

Text

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

Reserve funds can be built up from the following sources:

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

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

Methodology

Get examples from the handbook text.
Show OHT 70, and then the diagram – OHT 69. Go back through the sections of OHT 70 and ask if there is any experience from participants of using reserve funds. If so, ask participants to share how they did it, successes and challenges. Where is it best to invest? What dangers are there? Which donors will not let you do this?
Some participants may already be breaking donor rules. Encourage them to be open so that others can learn.

Building Reserve Funds

- **Money fundraised from the general public (or other fundraising ventures) that is not needed for immediate operating expenses**

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

- **Money that CSOs have received from fees for service**

- **Money that the CSO has saved from financial dealings (eg changes in exchange rates, short-term deposits)**

- **Money received from management fees or a management overhead**

- **Contributions to the reserve fund (sometimes called a corpus fund)**

Make sure it is wisely invested.

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

The Use of Reserve or Corpus Funds

The figure is a graph with "money" on the vertical axis and "time" on the horizontal axis. Two arching curves are labeled "foreign funding". A circle in the center is labeled "Capital Reserve fund". Rising lines on the right are labeled "investment", "fees for service", "public fundraising", "government contracts", and "business philanthropy", grouped under "domestic funding".
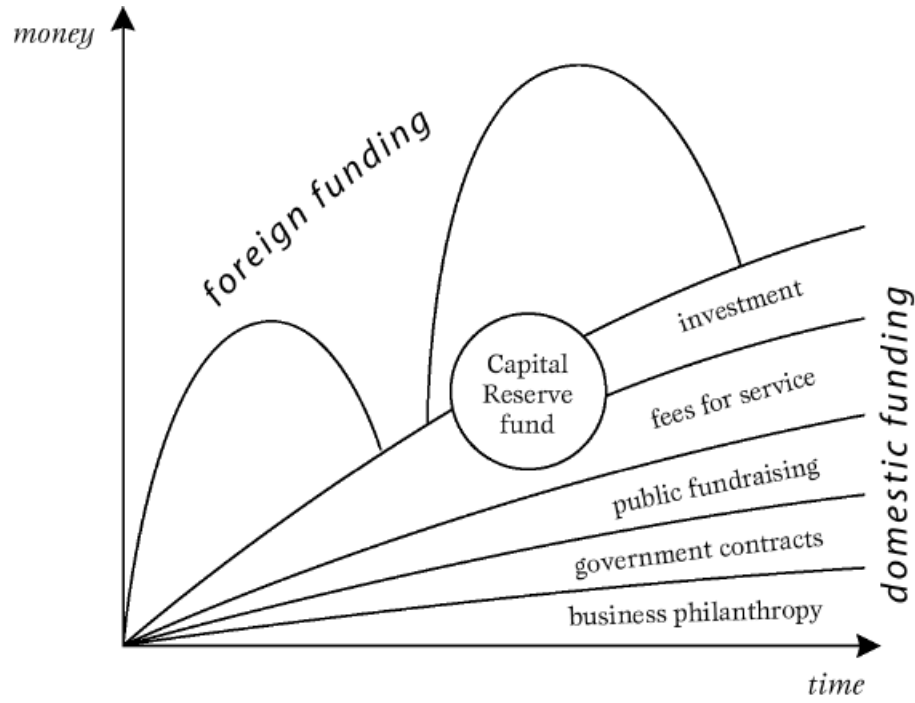
DAY THREE/SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS

11.2 Endowments

Purpose

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

Text

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

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

Methodology

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

Donor Requirements for an Endowment

- **Trust by the External Donor in the long term future of the CSO (or the foundation)**

- **Comprehensive financial management skills from the CSO (or Foundation)**

- **A supportive legal and fiscal environment**

- **External donor rules which allow the endowment modality**

- **Time**

DAY THREE/SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS

11.3 Comparison between Grant Funding and Endowment Funding

Purpose

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

Text

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

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

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

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

Methodology

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

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

Comparison between Serial Funding & Endowment
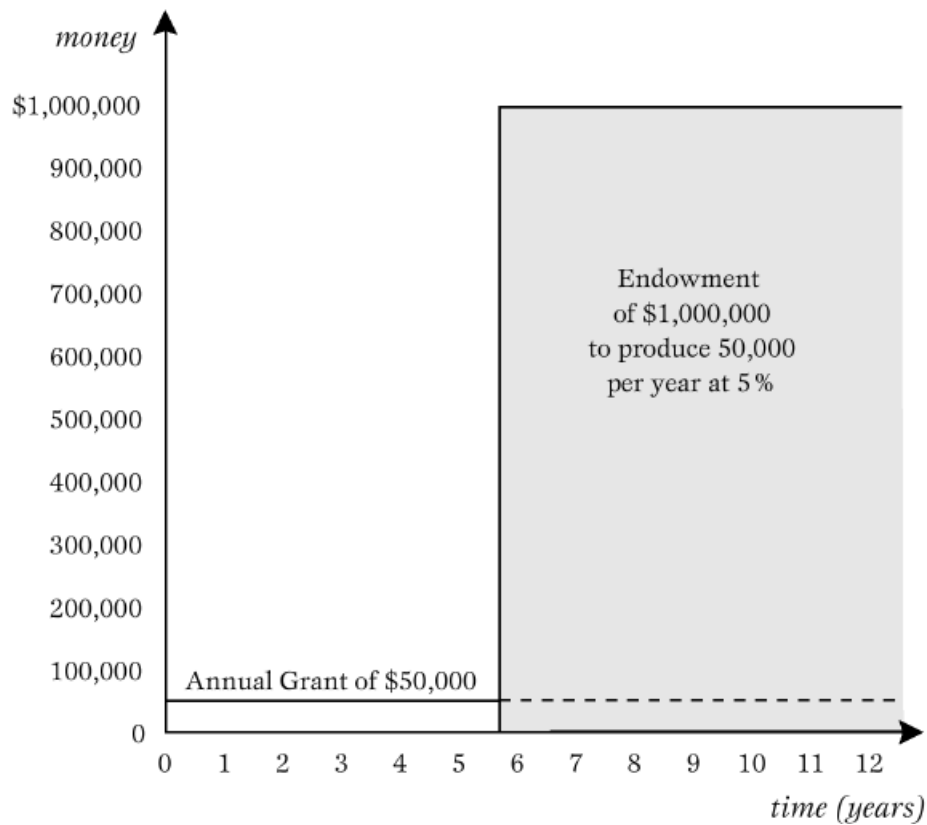
DAY THREE/SESSION ELEVEN: BUILDING RESERVE FUNDS AND ENDOWMENTS

11.4 Case Study

Purpose

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

Text

See the following handout:

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

Methodology

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

The Foundation for the Philippines Environment

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

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

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

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

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

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

DAY FOUR

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

12.1 Conversion of Debt

Purpose

To learn more about national debt.

Text

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

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

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

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

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

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

Methodology

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

Background to National Debt

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

- **they can ask for rescheduling of the debt**

- **they can negotiate for total debt forgiveness (The Jubilee 2000 approach) or partial debt forgiveness (the HIPC approach)**

- **they can negotiate for repayment of the debt in local currency, not hard currency**

- **they can refuse to pay**

DAY FOUR/SESSION TWELVE: CONVERSION OF DEBT

12.2 Repaying Hard Currency Debt in Local Currency at a Discount

Purpose

To learn more about debt conversion.

Text

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

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

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

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

Methodology

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

Debt Conversion

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

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

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

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

DAY FOUR/SESSION TWELVE: CONVERSION OF DEBT

12.3 Difficulties and Complexities

Purpose

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

Text

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

1.   Decisions to allow such discounted debt sales and put the local currency generated into the hands of CSOs are intensely political both in the North and in the South. The CSO that wants to work as the catalyst for this process, must be ready with strong arguments and good negotiating skills.

2.   The final decisions are made between governments - usually the respective Ministries of Finance - and these are not usually ministries that CSOs, North or South, are familiar with.

3.   The negotiations, the agreements, and the processing of the paperwork take a long time - perhaps two years - during which time the Northern CSO has to keep pressing its case, and possibly dealing with changes in government, and certainly changes in personnel.

4.   If the funds are used to set up an endowed foundation for making grants to CSOs, it is likely that the structure for this must be set up with the participatory agreement of the citizen sector. Negotiations on the governance and management of such a structure are likely to be a long-drawn out process.

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

Methodology

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

Difficulties and Complexities

- **It is a political decision to put debt sales into the hands of a CSO**

- **There has to be a source of funds able to 'buy' the discounted debt – often a lot of money**

- **Ministries of Finance have the final word**

- **Negotiations take a long time**

- **CSO Foundations, if desired, require a lengthy consensus building exercise within the CSO community.**

DAY FOUR/SESSION TWELVE: COVERSION OF DEBT

12.4 Case Studies

Purpose

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

Text

See the following handouts:

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

Methodology

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

Foundation for a Sustainable Society Inc, Philippines

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

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

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

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

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

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

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

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

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

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

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

Environmental Foundation of Jamaica

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

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

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

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

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

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

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

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

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

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.1a Credit for the Borrower, Income for the CSO

Purpose

To understand how resources can be acquired from microcredit programmes.

Text

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

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

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

Methodology

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

Two Possible Results from Microcredit

- **Through offering credit to microentrepreneurs they are enabled:**

  - **to be self-employed**
  - **to create/sell goods and services**
  - **to gain income which they did not have before**
  - **to pay off debts which were crippling them**

- **Through receiving income as the credit is repaid with interest (and possibly a service charge) the CSO is enabled**

  - **to cover the costs of its credit operation**
  - **to gain extra income which it can use for other programmes**

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.1b   Credit for the Borrower, Income for the CSO

Purpose

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

Text

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

- Loans given to the poor under a well-managed system show excellent repayment rates (higher than those lending to the middle class or the rich).

- It is possible to cover costs and make a small surplus if the interest and repayment conditions are soundly calculated and efficiently administered.

- The poor are prepared to pay market rates, and even higher, if the service they receive is good, efficient, and they have some voice in its management.

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

- It only succeeds if the CSO is very professional about the way it designs and administers the scheme.

- The law in any particular country may, or may not, be helpful to the CSO that wishes to undertake a savings and microcredit operation. Sometimes existing statutes restrict such work to legally set up banks.

- There is a danger that the CSO may lose sight of its mission in the business of becoming a money-lender and deposit-taker.

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

Methodology

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

Advantages and Disadvantages

Advantages

- **Loans given to the poor under a well-managed system show excellent repayment rates (higher than those lending to the middle class or the rich).**

- **It is possible to cover costs and make a small surplus if the interest and repayment conditions are soundly calculated and efficiently administered.**

- **The poor are prepared to pay market rates, and even higher, if the service they receive is good, efficient, and they have some voice in its management.**

Disadvantages

- **It only succeeds if the CSO is very professional about the way it designs and administers the scheme.**

- **The law in any particular country may, or may, not be helpful to the CSO that wishes to expand a savings and microcredit operation. Sometimes existing statutes restrict such work to legally set up banks.**

- **There is a danger that the CSO may lose sight of its mission in the business of becoming a money-lender and deposit-taker.**

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.2 Going Beyond Linked Savings and Credit

Purpose

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

Text

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

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

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

Methodology

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

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

Beyond Linked Savings and Credit

The CSO will need to:

- **expand its range of customers both geographically and by income level.**

- **offer a range of services beyond linked savings and credit.**

- **receive deposits from people who are not necessarily borrowers to increase the amount of capital it can mobilize**

- **acquire new capital for expansion, and this money will probably have to be 'bought' from banks or finance institutions at market rates**

- **design and sell a variety of financial services (like house loans, cattle loans, agricultural loans) to meet customers requirements**

- **continue to be very professional in its original operations**

- **become very competent at a range of more complex financial services - particularly since many of its new customers will not come from its old and well-known client base**

- **Be registered according to the law**

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.3 Key Issues

Purpose

To understand the key issues in expanding a microcredit programmes.

Text

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

- **Savings**: Whose savings will you take? Anyone's? What protection will you offer big depositors?

- **Interest Rates:** Will you keep them at existing market rates? Or will you go higher if the market will bear it? Will you exclude your poorest customers by doing so?

- **Group or Individual Lending**: Most CSOs have initiated their savings and lending operations through group lending backed by peer group pressure. Will you continue like this? Or will you lend to individuals? If you lend to individuals, how will you handle the question of collateral, or establish creditworthiness?

- **Legal Identity**: Will you set up a separate financial intermediary organization, with the status of a bank, and offer a range of financial services?

- **Acquiring Capital**: Will you be able to finance your operations by borrowing money at the market rate? Or will your scheme require start up capital in the form of a grant? If you want to borrow money from a local bank either for capitalization or for working capital, will you be able to do so? Are you seen as creditworthy?

- **Mission**: Is there a danger that your original mission (of helping poor people employ themselves) will be lost in pursuing the making of money through banking services, or will you be able to separate the money-making from the mission- linked services?

Methodology

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

Key Issues

- **Savings - whose will you take?**

- **Interest rates - commercial, or higher?**

- **Group or individual lending?**

- **Legal Identity?**

- **Borrowing money at market rates?**

- **Mission - will you lose it?**

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.4a   Bank Guarantees

Purpose

To understand bank guarantees.

Text

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

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

Methodology

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

Bank Guarantees

Steps

1. **Link the bank used by a microfinance institution in the South to a bank in the North.**

2. **Donor agency to guarantee the bank in the North that borrowings up to a certain level by the specified bank in the South will be honoured.**

3. **Bank in the South to offer credit to the CSO/MFI up to a certain level, knowing that its loans will be guaranteed by the Northern bank.**

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

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

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.4b   Bank Guarantees

Purpose

To appreciate RAFAD's 13 stages.

Text

RAFAD's 13 stages leading to greater financial autonomy

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

Methodology

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

RAFAD's Thirteen Stages
Leading to Greater Financial Autonomy

1. Creation of the CSO and development of its links to grass-roots or community-based organizations (GRO/CBOs).

2. Development of the GRO/CBOs' resources with the CSO helping them to do this.

3. Initial sales of products and services by the CSO.

4. Establishment of a capital reserve fund, using profits from sales and services.

5. Local fundraising.

6. External fundraising based on projects.

7. Institutional development - building up management capacity, strategic planning, financial management.

8. Development of the capital reserve fund, and making more investments.

9. Negotiation of flexible programme grants from donors.

10. Negotiation of a grant for a revolving loan fund which the CSO administers.

11. Increases in sales and services, increases in deposits in the reserve fund, and in investments.

12. Negotiations with local banks for credit for your CSO with, if necessary, bank guarantees from international finance institutions (eg RAFAD, Women's World Banking).

12. Direct access to credit from local banks.

DAY FOUR/SESSION THIRTEEN: MICROCREDIT PROGRAMMES

13.5 Case Studies

Purpose

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

Text

See the following handouts:

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

Methodology

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

Shri Mahila Sewa Sahakari Bank, India

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

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

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

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

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

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

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

Kenya Rural Enterprise Programme

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

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

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

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

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

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

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

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

DAY FOUR/SESSION FOURTEEN: SOCIAL INVESTMENT

14.1 What is Social Investment?

Purpose

To understand social investment.

Text

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

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

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

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

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

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

Methodology

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

What is Social Investment?

- **Funds available for loans to those concerned with enterprises for social issues who would not normally be able to get bank loans**

- **Requires an efficient and mission driven organization on the one hand, and investors interested in that mission on the other**

- **Social investment funds allow a CSO to move from grants to loans to running a business enterprise**

DAY FOUR/SESSION FOURTEEN: SOCIAL INVESTMENT

14.2 Social Investment Organizations

Purpose

To find out what social investment organizations are.

Text

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

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

Methodology

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

Social Investment Organizations

Concerned with:

- **Housing for people with no collateral**

- **Venture capital for small businesses that cannot get bank loans**

- **Insurance for poor people who cannot comply with the conditions of the usual insurance companies**

- **Bridging loans for marketing**

- **Loan guarantees**

DAY FOUR/SESSION FOURTEEN: SOCIAL INVESTMENT

14.3 Case Studies

Purpose

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

Text

See the following handouts:

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

Methodology

Distribute the case studies to the participants. In the case of handout 25 ask if any of the participants know of these organizations. In the case of 26, ask one of the participants to read each case study out loud. Ask for any reflections on the story. Do they know any operations like that? Is it possible to do something similar in their circumstances?

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

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

The HIVOS-Triodos Fund Foundation

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

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

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

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

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

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

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

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

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

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

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

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.1 The Range of the Internet

Purpose

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

Text

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

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

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

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

Methodology

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

Range of the Internet (at present!)

- **Publish information about your organization and make it available 24 hours a day to anyone with access to the Internet**

- **Communicate with actual and potential volunteers in your organization in large numbers at very low cost, and allow them to communicate with each other**

- **Publicize products and services that your CSO offers for sale**

- **Make available (to anyone with access to a computer) research, studies, surveys, interviews from the field, local information of strategic interest**

- **Build networks of people interested in the same subject**

- **Access an incredible variety of information on topics that are pertinent to the work of your CSO, and make this available to anyone you want**

- **Identify new information that is valuable to the work that you are doing**

- **File, archive, store, process and retrieve information as and when you want it**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

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

Purpose

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

Text

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

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

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

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

Methodology

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

Establish a Website

- **To attract interest from any member of the Internet browsing public (who are they likely to be?)**

- **Specifically to solicit funds**

- **Specifically to seek volunteer support**

- **To inform people how they can help the organization**

- **To provide an accessible reference point where people can go to find out more about your CSO**

You are using your website as a <u>virtual</u> point of contact,

Attract People To It

Make sure you design a website that:

- **Is connected to 'search engines'**
- **Uses pertinent 'key words'**

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

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

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.3 Getting Connected

Purpose

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

Text

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

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

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

Methodology

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

Learning how to Navigate the Web

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

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

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

Some are also available in Spanish and Chinese

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.4 Who Will Visit your Website?

Purpose

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

Text

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

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

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

Methodology

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

Who will contact your site?

- **Those with private computers**

- **Those with access to a computer at a business**

- **Those with access to a computer at a school/university**

- **Those using Internet cafes**

They will contact your site if they can read your language

Choosing your Language

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

1. **Use an international language if you want to:**

   - **solicit funds from Northern sources (organizational/individual)**
   - **network internationally**

2. **Use a local language if you want to:**

   - **Solicit funds locally**
   - **Network locally**
   - **Seek volunteer support**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.5 The Range of Local Resource Mobilization Possibilities via the Internet

Purpose

To identify local resource mobilization possibilities through the Internet.

Text

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

Methodology

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

Mobilizing Resources Via the Internet

- **Save money on communication**

- **Network**

- **Learn/Get informed**

- **Campaign**

- **Market your products**

- **Make proposals to local supporters**

- **Seek volunteers**

- **Keep records**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.6 Limitations and Barriers

Purpose

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

Text

- **Money:** Computers cost a lot of money to buy, and a lot of money to repair if they fail. In addition to a computer, you also need a modem, a printer, and, very possibly in the South, a back up battery called a UPS (uninterrupted power supply). Then there are the costs for the Internet Service Provider, which is sometimes linked to the telephone companies. A CSO has to balance whether the advantages that Internet access brings are balanced by the costs.

- **Quality of the Websites:** There is often a great deal of enthusiasm in designing and building web pages, but this enthusiasm often wanes subsequently. If you have decided to have a website it must be kept up to date, and a person or people have to be designated to do that. Visitors to a web page that has out-of-date information, or no information at all, are not impressed, and are not likely to support your CSO. Website design and maintenance is a new skill that needs to be learnt, but once learnt, it requires commitment to keep it at a high quality.

- **Informing People Where To Find You:** If you have a website, make sure that you tell people about it. If possible, have a name that is memorable, and make sure that people can find their way around the website easily. It is useful to ask your service provider to tell you how many visitors you have had to your website. It is also useful to use the occasion of their visit to your website to try and develop a deeper relationship. Many websites have 'visitors' books' which they urge visitors to write in, and provide their addresses. The CSO must then follow up and cultivate the guest's interest. Just as in person-to-person fundraising, a one-off time event can be built up into a regular and deep interest in the cause of the CSO, so this can also be done via the Internet. The CSO, once it has invested in a website, must try to move beyond using it as a 'billboard' where people just come and look; they must try to interact with their visitors in order to develop their interest and to solicit their support. They must try to keep people's interest so they will stay on the website and learn more about your CSO's work.

- **Ready Arguments to Counter Retractors:** It is possible that people in your country will accuse you of unnecessary luxury and irrelevant expenditures if you promote your organization through the Internet. You will be asked to defend yourself as an organization that is helping the poor and the powerless and yet also using computer technology. There is enough suspicion about CSOs by the general public in your country for it to be likely that you will be accused of being a 'PC and Pajero CSO'. It is for you to think this through and decide for yourself the advantages for your organization's mission of working the Internet. Once you have worked this out, however, make sure you have strong arguments ready to counter such people.

- **Wasting time:** There is an incredible amount of information on the Internet. You and your staff will be very tempted to over-indulge. The Internet can be very helpful to your organization in the ways described above, but it can also waste huge amounts of time, and incur considerable online costs, if users do not know how to navigate the Web effectively.

Methodology

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

Limitations and Barriers

- **Money**

- **Quality of the Websites**

- **Informing People where to find you**

- **Ready arguments to counter retractors**

- **Wasting time**

DAY FOUR/SESSION FIFTEEN: USE OF THE INTERNET

15.7 It May Yet Come To You

Purpose

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

Text

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

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

Different Approaches
There are a number of different approaches to online fundraising. The options fall into four different types.
1. Donation/Charity Portals: A donation/charity portal website typically provides a directory of many different non-profit organizations. Web visitors can select their favourite charity and make a donation online using their credit card.   The donation portal processes the transaction, acknowledges the gift and forwards the money along with a report, including donor information, to the non-profit organization.
2. Payment Service Providers: Some organizations are interested in setting up their own e-commerce system to accept credit card information, but would like to avoid the complications and costly strategies that may be involved. A Payment Service Provider (PSP) may be a solution. A PSP is a vendor who will manage the entire back-end of your donations and payments. PSPs specialize in setting up secure credit card systems for non-profit organisations and enables them to accept credit card donations by providing a link on the organization's website to a pledge or donation page that resides on the PSP's server.   They make their money through a fee structure based on the contributions you receive.
3. Charity Mall or E-commerce Commission Portals: In this case, your organization places a banner advertisement link to an online merchant or mall on your organization's website. Web donors (and/or members to the site) click on the link and are taken to an e-commerce site where they can purchase a variety of items, designate their favourite cause or charity, and the merchant or mall donates a percentage (usually 5 per cent) of the sales revenue back to your organization.
4. Click and Give: Another approach to online fundraising has been the 'click and give' or 'click and donate' sites. It offers web visitors a simple method of giving by simply clicking on a button. When you click, the web server registers your action and adds your food 'donation' to the daily total.

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

Methodology

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

Be Ready for these Possibilities

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

Different Approaches:

- ***Donation/Charity Portals***

- ***Payment Service Providers***

- ***Charity Mall or E-commerce Commission Portals***

- ***Click and Give***

Database/Fundraising Software

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

15.8 Case Studies

Purpose

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

Text

See the following handouts:

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

Methodology

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

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

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

Think about them….

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

Phool Devi who toils for hours to feed her nine children

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

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

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

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

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

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

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

DRY – Disaster Relief and You

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

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

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

CAF India Floods Droughts Earthquakes Famine Cyclone Response

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

This site is supported by Hughes Software Systems

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

The Virtual Foundation

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

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

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

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

If you click <u>How it works</u>, then you get:

How it Works

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

Step 1: A community group in a participating country (ie a country with a <u>Virtual Foundation Consortium Member</u>) 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 ten submitted to the Virtual Foundation.

Step 2: The proposal is evaluated by the Virtual Foundation's <u>Grants Co-ordinator</u> 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 <u>criteria</u>, 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 <u>donations</u> directly through the Virtual Foundation's website

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

Source: http://www.virtualfoundation.org

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

Vision

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

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

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

Strategies

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

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

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

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

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

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

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

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

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

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

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

Results

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

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

DECIDING WHICH WAY TO GO

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.1 Addiction

Purpose

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

Text

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

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

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

Methodology

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

Addiction

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

The Arguments again:

1. The money is going elsewhere:
   Malaysia, Botswana, Thailand, Chile, many others – they all used to have foreign funding, but very little any longer

2. Foreign aid is not so attractive:
   The conditions and regulations laid on the funds that are available are becoming more and more donor directed and burdensome

3. 'Inconsistency'
   Sometimes large new infusions of foreign donor funding target countries in which foreign funding was becoming less and local resources more available - playing to donor's varied agendas

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

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.2 Strategic Planning

Purpose

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

Text

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

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

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

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

Methodology

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

Moving from Intellectual Acceptance to Practical Application

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

The CSO will likely require:

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

Strategic Planning is a necessary and important step.

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

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

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

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

Purpose

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

Text

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

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

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

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

Methodology

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

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

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

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

Be opportunistic and see what existing and new possibilities there are

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

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

Purpose

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

Text

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

Methodology

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

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

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

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

Positive factors in pursuing local resource mobilization

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

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

Negative factors in pursuing local resource mobilization

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

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

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

Purpose

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

Text

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

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

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

Methodology

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

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

- **Costs**:
  what will be the expenses involved in setting up a local resource mobilization strategy?

- **Capacity Building**:
  what skills does the organization have and what does it need? Where can such skills be acquired?

- **Disruption**:
  how can this new strategy be embraced by the organization with the least damage to its ongoing work?

- **Energy and Creativity**:
  how can this new paradigm galvanize all stakeholders in the organization to be creative in finding ways to make it work?

- **Sequencing**:
  what needs to be done, in what order, to make sure of success?

16.4 Donor Education

Purpose

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

Text

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

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

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

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

Methodology

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

Will Your Foreign Donor be Supportive?

Options:

- **Rejection**

- **Academic interest, but no help**

- **Positive encouragement, but no actual help**

- **Joint planning and flexible assistance**

- **Specific funding (and other assistance) for a sustainability programmes**

DAY FOUR/SESSION SIXTEEN: NEXT STEPS

16.5 Citizens' Initiatives

Purpose

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

Text

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

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

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

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

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

Methodology

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

Who will make the path by walking?

- **Which organizations are exemplary?**

- **How will you keep in touch with their progress?**

- **How will you keep in touch with each other's progress?**