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Linking Environmental Policy Concerns and NGO Institutional Development

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*[Institutional Development Topics]*

# FINANCING STRATEGIES and TECHNIQUES FOR NGOs

In providing a title for this issue of *NGO NEWS*, we decided to focus on **financing** strategies and techniques rather than more conventional **fundraising** concepts. In doing so, we are borrowing from a very helpful document produced by the NGO Management Network in Geneva, Switzerland (*Towards Greater Financial Autonomy*, 1989). In their publication, authors F. Vincent and P. Campbell point out that fundraising *per se* implies asking for funds from donors who are mostly external to the organisation -- be they individuals, corporations, the general public, or grant-making institutions. Such strategies often overlook the fact that there are other ways of generating NGO income, i.e., a variety of self-financing techniques, which -- if successfully employed -- will in the long-term move the NGO closer to true financial autonomy.

Furthermore, thinking in terms of a **financing** strategy may also force the NGO to focus on the concept of "*total resources*". This is not a new approach and has, for example, been discussed in an informative booklet from the Mellon Bank Corporation entitled *Discover Total Resources: A Guide for Nonprofits* (1985). Basically, the concept of *total resources* says that cash donations aren't the only source of income for non-government/non-profit organisations. The successful NGO finances what it wants to do by identifying and integrating a variety of resources -- *money, plus people, goods,* and *services*. All of these will be discussed in this issue of *NGO NEWS.*

## Organisational Mission and Planning

Before an NGO approaches the difficult task of developing a financing strategy, it must first have a good idea of who it is, where it is going, where it wants to be, and what it needs to get there. In other words, the NGO needs a strategic plan covering both institutional and programmatic development before it tackles financial planning (see *NGO NEWS*, March 1989).

Although many organisations think they know what they exist to do and how to do it, in fact many do not. They have not set down in writing their basic purposes, and without a clear statement of purpose, the development of a financing strategy will be confused, if not impossible. If the NGO cannot clearly and concisely articulate where it is going, there may in fact be underlying disagreements within the organisation that blur the institution's ability to focus on its overall mission *and* cripple its efforts to organise and execute a financing plan.

Here's a simple test: what would your NGO do with a hundred thousand dollars if it had access to this sum tomorrow? Being able to reach agreement about how to apportion money to programmes, facilities, staff, etc. -- and the *process* the NGO goes through to reach such agreement -- will strengthen immeasurably its ability to effectively raise money and generate income.

> Remember the first pre-condition for achieving financial autonomy as an NGO:
>
> EFFECTIVE STRATEGIC PLANNING AND MANAGEMENT

*[In June, Island Resources Foundation will release a new publication entitled FISCAL MANAGEMENT FOR NON-GOVERNMENTAL ORGANISATIONS: A PRACTICAL, "HOW TO" MANUAL TO ASSIST ENVIRONMENTAL NGOs IN THE EASTERN CARIBBEAN. It includes a chapter on the importance of financial planning and on the budget as an NGO "plan of action". The document will be distributed to NGOs participating in IRF's Institutional Development Programme for the Eastern Caribbean. Other interested readers should contact IRF in St. Thomas to request a copy.]*

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# TOTAL RESOURCES:
## People, Goods, Services -- *and* Money

For long-term success, NGOs must be able to integrate money with other resources -- people, goods, and services -- into a programme that makes the most of *total resources*.

***PEOPLE*** -- As a piece of the NGO's overall financing strategy, people resources generally include: persons giving their time to the organisation free of charge, for a minimal fee, or for payment by a third party on the NGO's behalf. The challenge is to discover how to utilise people resources, in the best combination, to your organisation's greatest advantage. Primary categories of people resources to be tapped by NGOs include:

- *NGO Boards*, ideally made up of skilled, dedicated persons actively involved in the NGO or the local community, sincerely committed to the NGO's purpose, and representing a broad range of community interests and skills.

- *Volunteers*, often the cornerstone of non-profit NGOs. Unfortunately, NGOs may not take the time to develop a "volunteer action plan", or provide effective guidance and management procedures for optimal utilisation of this important people resource.

- *Consultants or Personnel On Loan*. Whenever possible, NGOs should obtain the services of consultants free of charge, or at someone else's expense. NGOs also need to broaden their concept of "consultants" to include everyone with a skill or knowledge of benefit to the organisation. Consider, for example, asking a corporate sponsor to provide consultant services in an area of NGO need -- instead of, or in addition to, a monetary donation.

- *Interns*. The resource potential of interns is often doubted by NGOs, primarily because they require supervision and will only be available for a short period of time. But with a bit of planning on the NGO's part, with adequate lead time to prepare for the intern, and with specificity in task assignments as an overall guideline, *interns definitely can be worth the effort*.

- *Peace Corps, VSO, CUSO and other volunteers from overseas*. The key is to be exacting in outlining the skills required and in specifying the terms of reference that will work best for your organisation.

Obviously the above is only a sampling of the people resource potential for NGOs. Remember, however, that people are more than a substitute for money, more than a helping hand. People are individuals with ideas, talents, money, contacts, goods, and services. Each NGO needs to discover how to use them most effectively -- it almost needs a "people development plan". It sounds simple, but people are too valuable to waste. They need to know how, when, and why the NGO needs their time, talents, and other assets.

***GOODS*** -- Often called a money substitute, "goods" (any personal property of value) are vital *non-cash resources* for any organisation. Successful NGOs use goods not merely as substitutes, but as complements to other resources, for a total resource package. The most obvious examples of goods are office furniture and equipment, and supplies, but the possibilities are limited only by the NGO's needs and imagination.

NGOs should develop a "goods acquisition plan", to include:

- Preparation, and periodic updating, of a "wish list" of all needed items and potential sources.

- Distribution -- *on a regular basis* -- of the full list of needed goods to those closest to the organisation (board members, volunteers, etc.).

- Acknowledgement of gifts of goods as if they were gifts of money including announcement of major donations, such as land, through a general news release -- with the donor's permission.

However the NGO pursues its goods acquisition policy, it is important to remember that *"goods"* should be a part of the organisation's financing package. Furthermore, as with people resources, the NGO's search for goods will further expand its access to other community assets and resources.

***SERVICES*** -- Services are the most underrated of all the components in the NGO's package of total resources; yet, services can be a major source of support for NGOs. Services are acquired much like money, people, and goods. First the organisation needs to identify what services it needs and what sources are available to provide them. If the NGO is systematic about this task, it can organise the required information in a matrix -- needs on one axis and resources on the other -- in an overall strategy or "game plan" for obtaining the most services at the least cost in time and money.

NGOs should keep in mind that *anyone* in the community already providing a service for a fee is capable of providing that service for free, or at a discount, for a worthy cause. Commonly donated services are:

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|---|---|---|---|
| Accounting | Facility Design | Legal Advice | Printing |
| Advertising | Fundraising | Marketing | Public Relations |
| Computer Services | Investment Counseling | Mailing Services | Publication Assistance. |

Other options which NGOs might pursue include shared services (the sharing of mutually needed services among a small consortium of like-purposed organisations) or bartered services (the trading of services among like-minded NGOs). In this regard, it should be noted that opportunities exist in most Caribbean countries for NGO networking and cooperation. Such efforts have the potential to significantly affect the future of NGO programming and development -- *including* the ability of NGOs to reach financing goals.

**TIPS ON ORGANISING A TOTAL RESOURCE PACKAGE FOR NGO FINANCING . . .**

- ***Know your organisation*** -- who you are, what you do, why you're needed, and what you need.

- ***Know potential donors*** -- who they are, why they give, and what they expect in return.

- ***Integrate financial resources with other resources*** -- for a planned financial strategy that makes the most of total resources.

- ***Think big!*** -- expand your definition of resources to include money, people, goods, and services.

- ***Be creative and organised*** -- great ideas supported by thorough planning stand a better chance of success.

- ***Learn to share*** -- ideas, techniques, services, solutions to mutual problems.

- ***Don't neglect the personal touches*** -- institutions, businesses, organisations don't give; people in them do!

**And, finally, the remaining component in the total resource package for NGO financing -- money!**

Two introductory thoughts about money: (1) donations aren't the only source of cash resources for NGOs (see below) and (2) NGOs should not become fixated on seemingly quick and easy solutions to the continuing need for money -- an endowment fund, for example, or a "bricks and mortar" capital improvements programme. In fact, such programmes require strong leadership, continuous planning and organisation, and enormous effort. In other words, there are no easy answers.

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For purposes of this publication, we have organised discussion of the money component of the NGO's financing strategy into the following categories:

*Internal Money Management*:
Operating economies, investment income;

*Self-financing Activities*:
Sale of services and products;

*Membership Fees*;

*Local Fundraising*:
Appeals to individuals, businesses, government, and the general public; special events; planned giving;

*External Fundraising*:
Grants from donors.

Whatever cash resources realised by the NGO from these sources will be of two kinds: unrestricted monies for general institutional support or restricted monies earmarked for identified programmes and activities. The NGO needs to keep this distinction in mind as it develops its financing strategy. (For a more detailed discussion of restricted *vs.* unrestricted funding, see IRF's *FISCAL MANAGEMENT FOR NON-GOVERNMENTAL ORGANISATIONS*, June 1992.)

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### *(1) INTERNAL MONEY MANAGEMENT*

When developing a financing strategy, the place for an NGO to start is inside the organisation with a close analysis and review of its internal financial situation. For example,

*Has the NGO cut unnecessary expenses? Eliminated waste?* Examples of some money savers:
- Get incoming checks out of the office and into the bank -- where, ideally, they will be earning interest.
- Avoid penalties and late charges -- pay all bills on time.
- Make a payment schedule and stick to it.
- Don't defer regular maintenance on facilities and equipment -- it's expensive.
- Review major recurring costs -- like insurance -- annually.

***Have cost sharing opportunities been explored with other organisations?***

***Has the NGO considered short and long-term investment options for available cash?***
A word of caution: a careful cash flow projection must be done to determine all cash needs for at least a 12 twelve month period **before** a decision is made by the NGO board to invest cash reserves.

***(2) SELF-FINANCING ACTIVITIES** -- in other words, earning income instead of asking for it.*

> *NGO services are marketable --*
> *so are programme-related products produced by NGOs*

There is no rule that says non-profit, non-governmental organisations cannot make money -- only that the income earned should be used for the charitable purposes for which the group was founded. One of the most creative ways for NGOs to finance expenses -- and thereby increase self-sufficiency -- is to create income-generating projects or small enterprises that yield surplus profit for the organisation. Generally, NGOs should not limit themselves to "*charitable*" fundraising which is primarily dependent on external benefactors (i.e., raising money because you are a deserving cause). Most successful NGOs also focus on "*entrepreneurial*" pursuits as part of a *total* financing package.

Nevertheless, a word of caution: while it is important for NGOs to diversify financing techniques, they should keep in mind that income-generating projects are often very difficult to manage. Although they may need to seek some outside counsel and advice, NGOs pursuing such activities must first of all be institutionally sound in their own right. They will also need to define their objectives in a carefully-designed business plan; make a realistic assessment of the potential market (including competition and growth potential), and sensibly calculate the best price for their products and services based, in part, on local supply and demand. Remember that while the profits can be important, the risk can be substantial.

Income-earning ideas:

- ***Sale of services to Government, other organisations, consultants, local businesses.*** This may be as simple as charging a price for services provided by the NGO's secretariat (e.g., photocopying, use of typist, computer time) to as complex as entering into a performance contract for something the NGO does well (e.g., preparing a management plan for a protected area).

- ***Sale of publications or other products***, either produced by the NGO or produced by others for resale (try to buy the latter at a discount and sell at a profit).

- ***Sale of newsletter subscriptions to "outsiders" based on the publication's informational value. Sale of ad space in the newsletter.***

- ***Small-scale enterprises***. Successful examples in the Caribbean include: operation of museums and/or historic sites; establishment of shops or stores, usually affiliated with a museum or historic site; establishment of nature tour guide companies; management of parks, nature reserves, campgrounds. The possibilities are limited primarily by the NGO's creativity, entrepreneurial skills, and management capabilities.

### (3) MEMBERSHIP FEES

Membership fees are important to NGOs even if they are not the key component in the group's financing strategy. They increase the commitment of members to the organisation, and they help to convince external donors that the NGO has local support. Membership fees are also an important source of **renewable, unrestricted** (general fund) support. Generally, memberships represent a fairly secure and relatively long-term source of support.

A discussion of techniques for launching a successful "membership campaign" is too lengthy a subject to pursue in detail in this issue of *NGO NEWS*. However, we have summarised a number of key points for NGOs to keep in mind as they develop this important component of their overall financing strategy (some were drawn from *Resources for Success: An Manual for Conservation Organisations*, published by The Nature Conservancy, 1990).

- o Membership fees should cover the costs of all benefits offered by the NGO to its members, including the cost of staff time. Most organisations offer several categories of membership, with special "extras" for those who donate more. Be clear about the benefits of membership, and set policies for charging members fees for services over and above membership benefits (usually at a lower rate than for the general public).

- o *NGOs need to remain responsive to the interests of their members.* This should be of central concern to the board if the organisation hopes to maintain and also increase its base of support.

- o Annual membership drives provide impetus for re-telling the organisation's story -- it is an opportunity to remind a growing number of people who you are, what you represent, what you can do for them, and what they can do for you.

- o Membership solicitation is highly personal -- most new members of small organisations join because they are personally acquainted with someone within the organisation or have had a personal contact with the NGO.

- o If your organisation is not well-known in the community, link your objectives to problem issues which are already of concern to the general public, for example, water shortages, declines in fisheries, a proposed development. A sense of contributing to a cause to improve the quality of one's own life, or the lives of one's children, is a powerful motivation for securing new members.

- o Membership campaigns need to have targets and a plan. Who are the mostly likely candidates for solicitation? What are the best methods for reaching this audience? What will motivate people to join your group? How do you deal with the fact that most members of conservation organisations are urban-based?

- o People need to be *approached* about becoming members. NGOs need to actively and continuously *promote* and *solicit* memberships. They cannot afford to wait for the public to approach them!

- o NGOs must maintain good membership records to enable the board to periodically *review and evaluate* the results/success of the various solicitation approaches used.

*PEOPLE WANT A CAUSE TO SUPPORT AND ARE WILLING TO JOIN UP IF YOU CAN ONLY FIND A WAY TO REACH THEM*

## *(4) LOCAL FUNDRAISING -- it's very hard work!*

Before an NGO begins a fundraising campaign, it must have thought through and organised a campaign strategy and be ready with written materials that *succinctly* describe organisational needs, the specific objectives of the campaign, and the kinds of activities local contributions will support. Fundraising campaigns must be proceeded by a planning process (be it directed by the board or a fundraising committee) that generates both a written plan and monetary goals suitable for publication and distribution. This "fundraising handout", whatever its format, should serve as the "menu" from which potential contributors can choose; it should display how the organisation's activities fit together into a coherent body of work. *Remember that it is preferable for the NGO to present its case in terms of opportunity -- not need.* Finally, the organisation should be as specific as possible about how the money will be used.

The fundraising planning process should also include an opportunity for brainstorming on prospective donors. Every organisation has a core of loyal supporters who can be counted on for annual gifts. But new prospects must be added to this list regularly. Be resourceful in choosing prospects. Develop a fundraising list by consulting members, the board, volunteers, sign-up sheets at meetings, special interest lists from sources outside of the organisation -- everyone is fair game. Have a good idea ahead of time of the potential ability of each contributor to give -- many NGOs make the mistake of asking for too little!

Cultivate prospects at the most *personal* level possible -- a general written appeal is less likely to be successful than a personal note; a telephone call is usually not as effective as a personal visit. Remember -- *people* give money to *people*. *Only on a personal basis can you reach the people who give or are responsible for giving.*

### *A FEW FUNDRAISING TIPS*

* BELIEVE IN YOUR CAUSE.
* DON'T COUCH YOUR REQUEST AS A CHARITABLE SOLICITATION -- INSTEAD, ASK CONTRIBUTORS TO GIVE TO A CAUSE THAT WILL BENEFIT THE COMMUNITY.
* DON'T EXPECT A CONTRIBUTION SIMPLY BECAUSE YOU CAN RENDER SERVICES AT LESS THAN MARKET COST -- THAT WILL STRIKE MANY POTENTIAL CONTRIBUTORS AS POOR MANAGEMENT. INSTEAD, EMPHASISE THE DIFFERENCE THAT YOUR ORGANISATION HAS MADE AND ITS IMPORTANCE FOR THE FUTURE.
* KNOW YOUR ORGANISATION, KNOW YOUR CAUSE -- AND KNOW AS MUCH AS YOU CAN ABOUT PROSPECTIVE CONTRIBUTORS. PROVIDE ORIENTATION TRAINING FOR VOLUNTEER SOLICITORS.
* PROMPTLY ACKNOWLEDGE ALL GIFTS WITH A RECEIPT. SAY THANK YOU -- DON'T TAKE ANYONE FOR GRANTED!
* REPORT ALL GIFTS QUICKLY -- THE BIG ONES CAN HELP RAISE THE SIGHTS OF OTHER POTENTIAL CONTRIBUTORS.
* MAINTAIN GOOD RECORDS OF EACH CONTACT FOR FUTURE REFERENCE.
* USE EVERY OPPORTUNITY TO SEND FOLLOW-UP LETTERS, REPORTS, INVITATIONS, ETC. -- STAY IN CONTACT WITH PAST AND PROSPECTIVE CONTRIBUTORS.

Most potential sources for contributions are obvious: the general public, local businesses, and nationals living overseas. Assistance from Government should not be overlooked: for example, rent-free or subsidised premises, technical services, exemption from taxes and custom duties, seconded personnel.

NGOs should also consider two other approaches for local fundraising campaigns: (i) special events and (ii) planned giving.

*(i) SPECIAL EVENTS.* Over-rated, under-rated -- special events are probably the most ubiquitous of all fundraising efforts. Most organisations use special events to increase local visibility, to provide entertaining/educational experiences for supporters, and to raise money. The challenge is to find the right event. The Nature Conservancy's publication *Resources For Success* has a section on the "art" of planning special events which may be helpful to NGOs considering this fundraising strategy. One approach to special event fundraising particularly appropriate for non-profit NGOs is the "testimonial" in honor of a deserving individual.

*(ii) PLANNED GIVING.* Although planned giving is not a fundraising approach often used by NGOs in the Caribbean, it has been successfully used by non-profits in North America. Planned giving most often takes the form of a bequest in a will -- gifts to an organisation received at the donor's death. Memorial gifts -- through a special fund established in honor of an individual -- can also be set up with the NGO as a beneficiary. This is an area that needs to be explored by Caribbean NGOs; since it can involve complex legal and financial issues, the NGO should probably seek outside counsel.

### *(5) EXTERNAL FUNDRAISING*

There is increasing enthusiasm on the part of NGOs to seek needed support through donor-supported funding. While important to NGO financing strategies, it needs to be remembered that the current emphasis on external grant funding focuses on activities and projects, rather than on the organisation and institution building.

Before pursuing external grant support, NGOs need to learn as much as possible about grant-makers and the kinds of programmes they fund. Research is important in order to target sources and ensure a higher likelihood of success. Numerous foundation and grant-funding directories have been published to assist applicants, but one particularly useful to environmental NGOs in the Caribbean was published by Island Resources Foundation in 1989. Send a request to IRF's St. Thomas office if you do not have a copy of the Foundation's *Donor Directory ... of Eastern Caribbean Environmental Support Programmes.*

After good research, a good proposal is critical. Again, there are numerous books available to assist NGOs in preparing grant proposals, and these should be consulted and used for reference -- along with a careful review of the donor's specific guidelines and application procedures. IRF has prepared a manual on proposal writing that features "how to" techniques for smaller non-governmental organisations. The manual is available by contacting: Bruce Horwith, NGO Programme Director, Post Office Box 103, St. John's, Antigua. Bruce is also available to work one-on-one with Eastern Caribbean NGOs in designing projects and preparing proposals (telephone: 460-1740).

A few tips to keep in mind for external fundraising:

- After you have narrowed your list of potential donors, always request the most up-to-date annual report and funding guidelines before proceeding with a proposal.
- It also prudent to make an informal inquiry, by letter or telephone, before you get too far along in writing a proposal for a particular donor. Most donors will expect to be consulted in the early stages of project development
- Keep trying. If at first you don't succeed, and you believe you have a good idea, go on to another prospective donor.

***Some final thoughts about developing an appropriate financing strategy for your NGO: remember that personal experience is a great teacher -- so is observation. Think positively and keep your mind open to the possibilities. Always strive to look beyond the obvious. Good luck!***

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