

Fact Sheet number III: Fund-raising through a donor

Introduction

When deciding to raise funds externally, the question also arises where to ask for funds; at a national or an international level, with your government, other governments, sponsors, corporations, foundations or other financial institutions.

Fund-raising is a very time-consuming activity with unpredictable results, but there are a number of things to look out for that can increase your chances of success.

1. How to identify relevant donors

Identifying and even contacting donors does not necessarily have to wait for the completion of the proposal. You can start identifying donors as soon as the initial design, the basic idea, is complete.

The first stage in identifying a donor is to find out about as many agencies as possible that might have an interest in funding your project, especially those donors that have funded similar projects to yours. This can be very time-consuming work, but the better your preparation and research, the more likely it will be that your proposal will be funded. Try to get a grant at the same level as the activity (money from local donors for local actions, national money for national actions, etc.)

Donor information and addresses can be obtained through direct information requests, documentation centres and service organisations, guides and directories. Both ENDS can provide you with lists of how to get this information.

2. Diversification

A diversity of income sources is the best way to become financially independent. Due to their non-profit status, many NGOs are not in the position to generate enough income to allow them to decrease their dependence on external funding, although money derived from private donations, for example, can be an important source of revenue. NGOs can lower their degree of dependency by negotiating more flexible and longer term donor grants and diversifying their income sources to include different types of funds and other non-donor sources, thereby spreading risks and building a

more stable financial base. Remember, an NGO must have diverse funding sources, to take away the risk of going bankrupt when the important donor withdraws.

3. Basic types of donors

Here we will explain something about the differences between and whether to fund-raise with corporations, private foundations, local funding possibilities, local government funding, embassies, international, bilateral or multilateral donors.

Local funding possibilities

This is the thing you should look into in the first place. There may be money available in your own town or village, in which case it is usually easier to get than from international donors. There is a lot of confusion about the word 'local', by it we mean all possibilities in your own country, such as

- local funds, i.e. rich people who put money aside to give to development projects
- sponsoring by local shops and trade
- local/national government funding (see below)
- local offices of foundations based in Europe, Australia, USA, Canada, New Zealand, Japan, such as Oxfam, CARE, Terre des Hommes, etc.
- embassies of OECD-countries (see below).
- local banks who can give micro-credits.

By 'local/national government funding' we mean funding that is provided by the government of your own country. This can be the national or provincial government or the municipality - depending on the area that is covered by the target group that is involved in your activity.

Embassies

Some embassies, like the Dutch, the French, the Canadian, the Swedish, the Danish, the Finnish and the Norwegian have small funding programs usually for innovative activities executed by NGOs. As the environment becomes more and more a topic of concern for the governments of OECD-countries, increasing amounts of money will be made available for this issue.

Foreign government funding

This is a very common source of funding. The government of a democratic country is chosen to work for the well-being of the citizens of that country. Environment NGOs also do that, so why shouldn't some of the tax-payers' money go to NGOs? Besides which, the government can only find the best solutions if it takes into account the opinions and expertise of all the population. Citizens organise themselves in environmental NGOs to play as a counter-part for government expertise. Why shouldn't government pay for this expertise? And last but not least, in a functioning democracy, the government needs to hear critical voices. Some governments therefore feel it their democratic duty to finance their critics, in order to create a fully functioning democracy.

An important thing to know though is that governments usually have an ideology and they will try to influence you with their money. So be careful and make sure you achieve what you want to achieve with your project.

Receiving government money is not always the easiest way, it depends very much on national policies and the current priorities. If the government changes, the priorities might also change and that makes it very unsure to depend on it.

Corporations and sponsoring

Industry and trade make profits. And for several reasons (a good image, sympathy, reduction of taxes), firms can be willing to support your organisation. Some will do this without setting conditions, some will do it in exchange for an advertisement. In order to find firms interested in supporting you, you need to take time. Do some research beforehand into which firms may be interested. Try to find the

decision-making body in a firm, if possible through personal contacts (see also the box on the next page).

Private Foundations

Applying for money with foreign private foundations can be one of the easiest ways to obtain money for your project. Of course you need to write an appropriate proposal (see sheet IV) but with a good project and a bit of luck you have good chances.

Multilateral funds

Money can also be raised through multilateral donors, international agencies such as the World Bank, the United Nations, the European Union, etc. We don't want to go deep into this question here, because these grants are usually available only for well-established and highly institutionalised NGOs and require a lot of patience and bureaucracy. Besides, here we are talking about very large amounts of money. Large donors like the European Union tend to issue larger grants, but often require NGOs to contribute a certain percentage to the budget (co-financing). This prevents many NGOs from being eligible for these type of grants. Besides, applying for these kind of grants is very time-consuming with small chances of results, due to the strong eligibility criteria these donors use. Often it also requires a European partner. However, if you want to know more about it, inquire with the UN or EU delegation in your country.

4. Basic types of grants

Project financing is the most common form of financial assistance for NGOs from donor agencies, either as single grants or grants with a possibility for follow-up if the project is successful. Project-financing usually focuses on the short term, enabling an organisation to implement a certain number of activities on a certain issue within a fixed time frame. Project financing often does not give the organisation sufficient room to plan for the long term.

Other types of grants are:

- *Core subsidies*: this is money provided for the ordinary running costs of an NGO: salaries of support staff, office costs, coordination, etc.

- *Project subsidies*: limited in time and only for well described purposes
- *Tenders*: this is an invitation to consultants to carry out research or a project the government needs. The one who can do it best gets the assignment. Sometimes this can also be an NGO.
- *Flexible funds*: it may be interesting to negotiate these with a donor. However, this is often only possible for organisations which have a long term relationship with a donor. The main condition of flexible funding is that the donor needs to have confidence in the NGO. The result is that the NGO can negotiate funding without all the bureaucratic and time-consuming criteria donors often ask for.
- Another interesting system is that of *revolving funds*. One or more donors provide grants to a recognised NGO so that it can create its own self-managed development fund. The NGO deposits this money in the bank. The funds are then distributed as loans to groups or individuals according to specific rules. The advantage for the donor is that the NGO can eventually become self-supporting. By calculating small sums of interest the NGO can generate its own fund, and use the repayments for new investments.

There are other types of grants such as programme financing but, in general, they are more difficult to get than project grants. The major reasons behind this, and for the popularity of project-financing in the first place, are that donors need to spread their own financial risks, and that unlike 'core' funding (in which an organisation is given a lump sum of money for their administration) project financing establishes a clear relationship between funding and the organisations' output. An increasing number of donors are also involved in 'sub-contracting', in which an intermediary organisation receives a large amount that it disperses in smaller amounts to NGOs in the region.

5. Trends

Grant making is often sensitive to trends. However, this can be to the advantage of NGOs; major themes are often picked up by donors. With all the conventions signed and agreements made after the UNCED conference in Rio de Janeiro in 1992, one can state that environmental care has become an increasingly important issue.

The last years, we see a tendency among donors to shift from grant making towards financial support in the form of credits and loans. For many NGOs this may be a positive development since it stimulates income generating activities and self-reliance of NGOs. However, one needs to take into account the specific criteria of a donor in this respect, before writing an application.

Other remarks

Both ENDS will always advise to look for funding on a local or national level in the first place. For most developing countries we can provide you with a list of local funding possibilities.

Below are a few things which you should be aware of while going into (international) fund-raising:

- Foreign donors have a preference for project support, rather than providing core funding for an organisation's overall functioning
- Priorities of foreign donors might change, sometimes causing an unexpected withdrawal of support (see "Trends")
- You may experience the imposition of onerous and unreasonable reporting requirements
- Sometimes donors attempt to exert inappropriate influence on the organisational agendas of grantees
- Sometimes you will experience arbitrary processes by which foreign donors decide to fund certain organisations over others
- There is often a requirement of foreign donors that grantees be 'apolitical', which means that they don't support a specific political direction.
- Generally speaking, the higher the amount of money involved, the more difficult it is

to get. Larger, longer term grants require a very strong partner relationship with the donor. Organisations that have received project financing from the donor in the past, in particular if the relationship has been constructive and pleasant, are more likely to be eligible for this kind of funding. A donor will only invest heavily in an organisation if the NGO is seen to be a good investment, that it has demonstrated its ability to carry out what it sets out to do, and does it well. Although this is an understandable situation from the point of view of the donor, NGOs also need more easily issued flexible grants with a longer term nature, such as core funding.

- Try to write your proposal towards the aims of the donor. For example if you want to set up an alternative ecological garden for ex-drug abusers, you may direct yourself to a donor focusing on drug-addicts and one focusing on ecological projects. It may be worthwhile in this case, to write two different applications where you lay emphasis on the aims of each donor.
- The continuous process of writing and submitting proposals is a very time-consuming operation, diverting human and financial resources (e.g. personal visits to donors) away from the organisations' main work. One way to avoid this is to request a larger amount of money for more activities spanning a longer time period (usually 3 - 5 years).
- It is an inefficient activity when donors are approached with inappropriate proposals.

Money is never dirty?

"We will never accept money from a dirty company" many NGOs say.

But more and more groups get tempted by easy money from unusual sources. Tobacco giants offer money for sport clubs, McDonalds funds development projects, and Shell offers environmentalists helicopter trips to off-shore plants. In the Netherlands, critical groups that express their objections in a loud way are often lured into grants and participation procedures that keep them busy.

Accepting dirty money not only keeps NGOs busy, but can also undermine their credibility and independent position. They might even get in conflict with fellow NGOs. For transnational corporations, sponsoring environmental organisations and projects has become a part of their 'greenwash' programs. Sometimes they even start their own NGOs.

Before accepting money you have doubts about, it is good to ask yourself the following questions:

- What is the performance record of your donor? Ask ethical consumer groups, corporate watchers etc.
- Does the donor expect anything in return for the money? Influence on spending it advertising.
- How dependent will you be on this money? What is your total budget, is it for projects, travel, salary?
- How will the press, public and other NGOs understand why your group is accepting this money?
- What are the alternatives to receiving this money?

And do remember: refusing dirty money can be a very strong action, especially when it gets in the media.