
Fact Sheet number II: Financing your project without asking for grants

Introduction

The key question all NGOs face is where and how to generate the income necessary to carry out their work and cover all general operation expenses. How can different financial resources be secured to obtain long term financing?

Apart from seeking grants, NGOs can use various other sources to finance their activities and build up capital reserves. Donors often do not allow NGOs to use grants or subsidies to build up reserves, as most of the grants must either be used up or returned, but reserves can be built up through gifts, membership fees and other income-generating activities.

NGOs often neglect to begin by looking into their own resources, whether financial or in kind. One piece of advice to starting NGOs is first to mobilise one's own resources to finance the first small project, before approaching external financiers. This will give credit to the NGO for future donors and funding agencies. There are a number of alternative ways of financing NGOs' activities.

1. Why look for alternatives?

Many NGOs rely for a large part on grants from (international) donors. However, there are many ways to raise funds for a good project; external fund-raising is just one of them.

A few disadvantages of fund-raising with (international) donors:

- reduction of flexibility; you have to meet the criteria of your donor
- it doesn't provide funds required for institution building
- it doesn't cover sufficient administration costs such as office staff and rent
- it takes an enormous amount of time to write proposals, evaluations and reports
- you have to execute the project-proposal which you might have written a year ago. Circumstances may have changed since then.

The first instinct of many groups is to seek among international donors without seriously considering local funding possibilities Both ENDS often refers organisations to start raising funds with their own local or national governments, foreign embassies or delegated funds. However, sometimes it is unrealistic to ask for local money because of severe social or

political conditions in a specific country. Also, some countries simply lack the philanthropic tradition related to financing NGO activities. Available fund-raising options depend on legal or tax limitations prevailing in the host country, so it's important to know the national legislation before deciding which local fund-raising options to pursue.

For most groups the combination of foreign and local financial support will ensure local credibility, increase independence from both local and foreign donors and give a larger pool of resources with which to operate.

2. Membership fees

The Dutch organisation Milieukontakt assists environment NGOs in Eastern-Europe and former Soviet Union in fund-raising and capacity-building. Most of the suggestions below come from the brochure "Money for Earth" which they published in 1995.

Within the environmental movement there's a saying: 'Get active for the environment. And if you can't get active, pay us to be active for you!'. One way to get people involved in NGO work and generate income at the same time is to start a membership organisation and ask for membership fees. Some basic rules:

- Membership fees should be payable by all the people who want to join your organisation. One can link the membership fee voluntarily to income. People with a low income (students, unemployed) pay a certain basic fee (comparable with the price of two beers a month), people with an average income pay twice as much and people with a high income pay four times as much. You do not have to know their income. People can decide themselves how much they pay. Experience shows, that people in general are honest in this.
- Membership fees do not have to cover all of the organisational costs.
- You also have other sources of income. Membership fees can be used to cover costs which are difficult to raise funds for, such as travel and support staff.
- Membership fees are considered to be the most stable and independent source of income. They are an indication of the local people's support of your organisation. If you involve them in your activities, focus on their priorities and represent their interests, more people will become members. If you do something which is not appreciated by the people, you will lose paying members.
- Once you have decided to ask for membership fees, think of what members can receive in return. A membership card of course, an annual report, but maybe also some reduction on specific products you make or on services you offer. Regularly, for example once a year, all members should be invited to a general meeting.
- Some organisations send a letter once or twice a year, to all their members to request the membership fee or an extra donation. In this letter you can include the latest issue of your magazine (if you have it) and your activities report. Be aware that this costs time and money, but it is usually a good investment.
- Keep good administration of your members and also of the old ones; people usually get richer when they get older and they may support projects that need sponsoring.

- It's good to organise an event every five years or so and invite all members, including the former ones. You can ask for a special fee to pay the cost of this, or ask people to contribute in kind; for example perform something or bring home-made dishes and drinks. You will earn a lot of sympathy by organising good parties.

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3. Donations

You can also receive money through donations or legacies. In a lot of countries, membership fees, donations and legacies are tax-deductible, so that the individual donor also has some financial benefits from it.

It is important to inform people how they can donate money (e.g. to which bank-account they can transfer it) and to send an activity and a financial report so they can see how their money is being spent. This doesn't need to be a glossy magazine, it's enough to put some reports of activities together and perhaps a description of your planned activities.

Indicate how much a minimum donation should be. Some people have no idea how much they should give. A donation must cover at least the costs for sending information like your activities report and the time it costs paid staff to administer this.

If somebody cannot contribute financially, he or she may contribute in kind, by working in the office or giving some service. If you have a good reputation among local people and involve them in your decision-making processes, you will find out that people have a lot to offer, such as maintenance work, tools to borrow, food they produce, etc. It's important to know which services are available in the surroundings of your organisation

4. Reserves

Reserves can be created by leftovers, assignments, membership fees, interest rates, etc. What is important is to have some reserves for your survival. Often grants don't arrive in the month you expect them, in which case it's good to have some money of your own to continue your work. It gives a secure feeling to

staff and other contacts, that the NGO does not solely depend on unsure external sources.

If your reserves are large, it would be a pity to leave it on a current account in the bank. If you invest it (of course in a responsible and safe way) you can earn money with it. In some countries, inflation is so high that it would be disastrous to leave money unspent. In such a case, ask your foreign donor to keep it for you as long as possible, or to transmit it to a befriended organisation in Europe or the USA. With the interest, you can build up reserves for the future.

The organisation RAFAD in Switzerland has elaborated all kinds of possibilities to help NGOs in building up their own capital. See also Sheet number V.

5. Savings

Some ideas for spending less:

- Exchange services with other NGOs
- Share your office with another organisation
- Share your fax, staff, computer, printer, etc. with others
- Ask for stamps and foreign money that people don't use anymore
- Ask for advertisements in exchange for printing cost (if you make a publication)
- Ask for donations in kind (like office materials, books, means of transport)
- Give more responsibility to volunteers and less to paid staff
- Find cheap locations for meetings, like community houses or schools, perhaps in exchange for some manual work done by the group (gardening, painting, cleaning, etc.)
- Keep meetings in a central place to avoid long-distance travel
- Have fewer meetings
- Volunteers or students might be willing to do part of the job
- Ask other NGOs which work in the same region/around the same themes where they get their funding from. Check whether

there's an overlap between their projects and yours, if there is, try to co-operate.

- In case your specific theme is popular among NGOs (because there's a specific problem in the region), but there are not many funds for, it may be interesting to start a lobby campaign, to try influence the policy of local donors
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6. Other ways

Some ideas on how to raise money for small projects:

- Ask family and friends: they're often interested in supporting things with which they have a special link (you). Once you receive donations, send these donors a letter to thank them with something like an annual report, your latest newsletter, etc.
- Ask family and friends to ask their friends
- Ask the church/ a like-minded political party
- Organise a benefit concert/dinner/party
- Organise a campaign
- Sell T-shirts, pins, stickers, postcards, seeds, plants or sapplings
- Cups: Very nice for ecological campaigns: sell not only the coffee but also the cup with a nice image and the name of your organisation. This means that you don't have to use plastic cups, nor do the washing up.
- Lottery or other fund-raising game; volleyball, soccer, etc. with subscription fee. Also participants can go around with a list to friends who will give \$1 per point etc.
- Work one day with a group for a farmer and give the money to the project
- Zip your lip: This is an annual Catholic action where richer people don't eat for a day and put the money they save out of this into a philanthropic fund.
- Sell something - but watch out with the national legislation if you're allowed to do this

- Ask an acquainted artist to make a drawing for a T-shirt or a poster
- Try to find support from local business
- Sell collective field production. A piece of land can be offered by local people to the association. The members of the association work there in their spare time and the crops are sold on the local market in support of the organisation.
- Try to convince people that it's much better to give money directly to your organisation than give it to a donor who will give it to you: the donor will spend part of the money for their overhead and you can directly use the full amount.
- Try to win prizes or awards, for example in designing something, organising a very special project.
- Assignments: execute work (against pay) for other organisations that work on the same issues.
- Ask local business if they want to publish ads in your newsletter and pay for them.