

GUIDEBOOK ON
**ALTERNATIVE
FUNDING MODELS**

FOR CIVIL SOCIETY ORGANISATIONS IN AFRICA

About The Guidebook

This guidebook is an outcome from a Shared Learning Convening on Alternative Funding Models for Civil Society organised by the West Africa Civil Society Institute (WACSI) and Innovation for Change (I4C) - Africa. The convening attracted 25 civil society actors and organisations from Africa, Latin America and Europe to share strategies, models, experiences and lessons learnt from the implementation of non-traditional approaches to generate financial resources convening with the aim to raise awareness, broaden the understanding of financial sustainability, promulgate best practices for the civil society sector and improve the practice of sustainability of CSOs.

This guidebook will help CSOs to explore the existing models that are being used, understand them and know how to implement a given model that aligns with the mandate of their organisation. This resource highlights the conducive factors that CSOs need to cultivate their financial sustainability and to advance their development objectives.

About WACSI

The West Africa Civil Society Institute (WACSI) was created to reinforce the institutional and operational capacities of civil society in the region. WACSI also serves as a resource centre for training, learning, documentation, experience sharing and policy dialogue for CSOs in West Africa.

About Innovation For Change - Africa

Innovation for Change - Africa is a vital physical and online space for regional ideas and social innovations, powered by its dynamic, growing community of civic space advocates from Civil Society Organisations, technologists and cross-sectoral partners. The Hub is working to strengthen the capacity of civil society and through home-grown African solutions as well as being part of a global network that offers network members access to the latest thinking, resources and collaborations.

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List of Acronyms

ACRI: African Court Research Initiative

AfDB: African Development Bank

CBO: Community Based Organisation

CDA: Cameroon Debate Association

CEO: Chief Executive Officer

CSO: Civil Society Organisation

CSR: Corporate Social Responsibility

CVPD: Coalition des Volontaires pour la Paix et le
Développement

DfID: The Department for International Development

DRC: Democratic Republic of Congo

FIDA: Federacion Internacional de Abogadas/ International
Federation of Women Lawyers

I4C: Innovation for Change

INGO: International non-governmental organisation

JOCHADEV : Jeunesse à l'œuvre de la charité et du
développement

NGO: Non-Governmental Organisations

NPO: Not-for-Profit organisation

OSF: Open Society Foundation

SADC: Southern African Development Community

WACSI: West Africa Civil Society Institute



Alternative Funding Models

1

Consultancy
Services

2

Asset
Building

3

Events
Organisation

4

Membership
Fees

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Social
Enterprise

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Microfinance

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Fiscal
Sponsorship

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Profit-Making
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Funding

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Green Bonds

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Crowdfunding



Introduction

In Africa, many civil society organisations (CSOs) depend on donor funding to sustain their work. However, over the last decade, donors have started reducing their financial support as a result of shifting priorities. In order to be sustainable, CSOs are now being challenged to find alternative means of generating funds for their activities. There are multitude of factors inhibiting their abilities to acquire financial support beyond donor aid. Specifically, CSOs face a diverse range of contextual factors in their environment which challenge their capacities for strengthening financial sustainability. Restrictive government regulations, poor economic conditions, lack of local philanthropic culture, competition between CSOs and inadequate skilled labour, all limit the ability of CSOs to operate independently.

Moreover, internal dynamics such as organisational culture, management capacities, internal governance structures and financial planning mechanisms can severely impact an organisations' ability to build financial sustainability. Considering these issues, different stakeholders have explored and used different approaches to overcome these issues, to improve financial sustainability. Diversification of revenue sources has come to the fore as one of the key methods of achieving financial sustainability. Acquiring a mix of external and domestic funding sources help organisations to sustain their financial viability. These sources could comprise of donor aid and/or other sources of funding such as consultancy, social



enterprise models, for-profit subsidiaries, innovative partnerships with the private sector, microcredit and social investments.

WACSI's experience has shown that factors for successful diversification and financial sustainability are highly dependent on the characteristics of the organisation itself, its identity and the context within which the organisation operates.

To promote a deeper understanding of this, the West Africa Civil Society Institute (WACSI) and Innovation for Change (I4C) - Hub Afrique organised a Shared Learning Convening on Alternative Funding Models for Civil Society in Accra from the 26 - 28 November 2018. The convening attracted 25 civil society actors and organisations from Africa, Latin America and Europe to share strategies, models, experiences and lessons learnt from the implementation of non-traditional approaches to generate financial resources. The gathering revealed achievements, areas for improvement, the various roadblocks preventing civil society from becoming fully sustainable and an effective mechanism for organising civic action.

This guidebook is an outcome from the convening with the aim to raise awareness, broaden the understanding of financial sustainability, promulgate best practices for the civil society sector and improve the practice of sustainability of CSOs.

This guidebook will help CSOs to explore the existing models that are being used, understand them and know how to implement

a given model that aligns with the mandate of their organisation. This resource highlights the conducive factors that CSOs need to cultivate their financial sustainability and to advance their development objectives.

WACSI and Innovation for Change (I4C – Hub Afrique) acknowledge that several studies, manuals and training courses have previously been developed to support CSOs to increase their financial sustainability. However, some of these resources tend to be generic and usually cover budgeting, planning, and variations of mix approaches to resource diversification.

Furthermore, these materials do not necessarily provide practical guidance for effective implementation. A key challenge confronting CSOs' financial sustainability efforts is the lack of clarity on which strategies are most likely to succeed given their organisational strengths and their local context. CSOs must adopt alternative funding models which have been tailored and piloted on a small scale to test their efficiency and effectiveness before they are expanded within the organisations. We trust that this guidebook will be a useful resource for CSOs that are committed to achieving their sustained financial prosperity.



Methodology

CSOs' Internal and external environments has an effect on their operations and impact. The internal environment refers to factors that the organisation can influence for specific results. These factors include, but are not limited to, organisational structure, policies, human resources, technological innovation and financial management. The external environment is outside the organisation's sphere of influence and control and yet they impact the organisation in different ways. These factors may include economic, social, political, legal and technological forces. These are the two variables we used to inform the structure of this guidebook.

The case studies in this guidebook were selected based on various factors. Primarily, it aims at exploring a range of key factors including geographic diversity (representing all the regions in Africa), levels of expertise, and ability to understand how drivers of sustainability might differ on approaches and contexts. To help narrow the selection, we also focused on long-established CSOs that have substantial credible data and a strong financial sustainability record. The final selection of CSOs was based on the level of interest of organisations in the process of developing this guidebook.

In total, feedback from over 20 organisations from 10 countries across the continent were used to develop this guidebook. Information was collected from the organisations using questionnaires¹ specifically developed for this purpose. These organisations were deliberately selected to represent a range of sectors, sizes,

and types, ranging from large national-level organisations with annual budgets in the millions of dollars to small community based-organisations (CBOs). It is important to note, that these organisations should not be considered a representative sample of CSOs, as they were selected for specific characteristics useful for this guidebook. However, given the range of organisation types and backgrounds represented in the sample, we believe that the experiences of these CSOs provide valuable and transferable lessons to organisations across a variety of contexts.



20 Organisations

10 Countries
across Africa



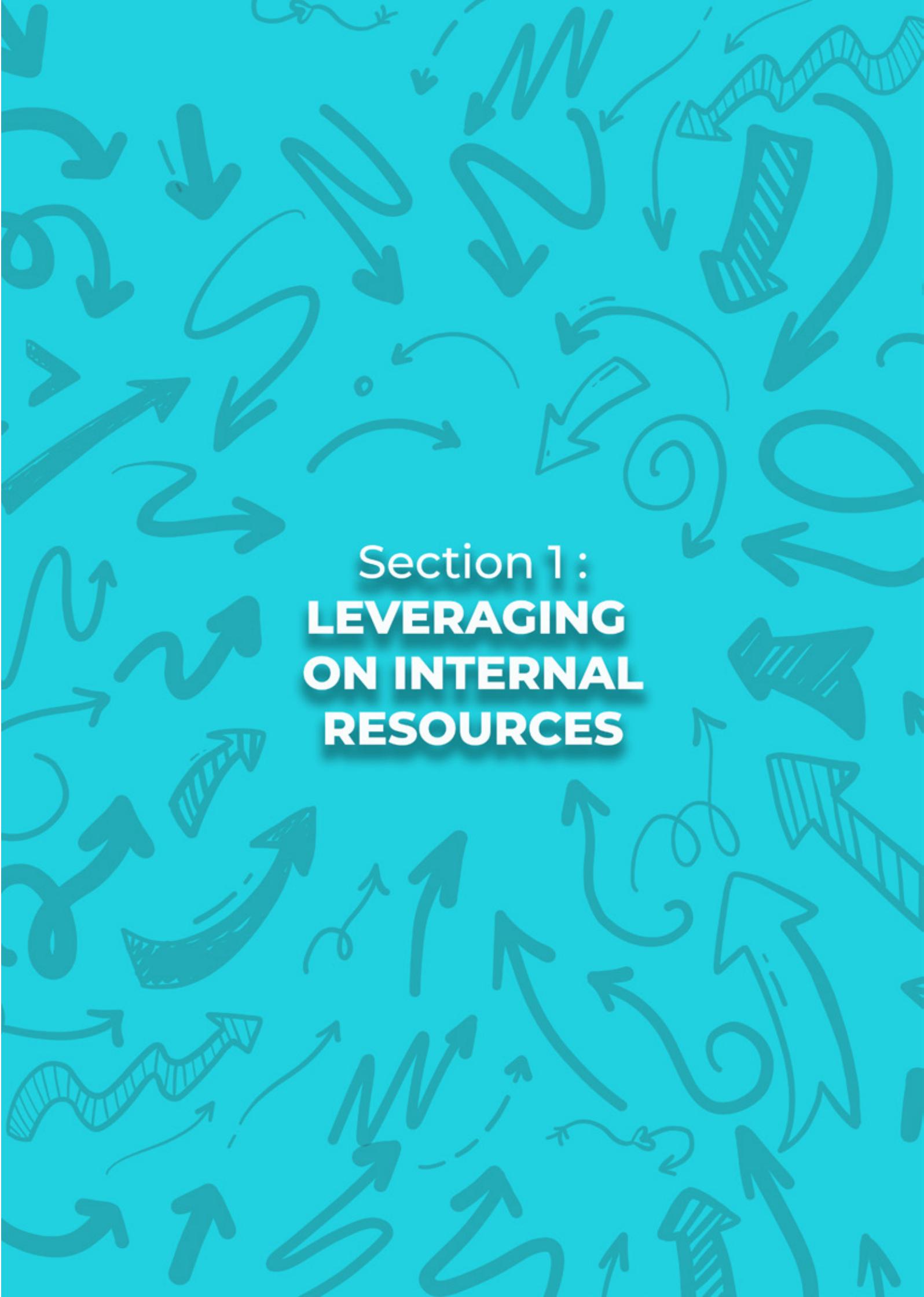
¹ See Appendix 1

Financial Sustainability Assessment Checklist

How can an organisation know whether it is financially sustainable? To determine if an organisation is financially sustainable, ask the following questions:

- 1- Does the organisation have diverse funding sources without being overly dependent on a single funding source?
- 2- Is there mutual respect, transparency and trust between the staff of the organisation and its funders?
- 3- Does the organisation's staff communicate with its major donors on a regular basis to address fiscal challenges or implementation issues?
- 4- Does the organisation attract, create, and sustain new resources by continuously seeking potential funding from a variety of sources, not only international, but also domestic?
- 5- Are appropriate financial controls established and followed within the organisation?
- 6- Do independent auditors conduct financial audits and reviews at regular intervals?
- 7- Does the organisation have a crises management plan to safeguard against unpredictable events that includes financial, leadership, succession planning among others)?
- 8- Has the organisation's leadership, as a matter of policy, established a reserve fund to cover the organisation's operating expenses for a planned period?





Section 1:
**LEVERAGING
ON INTERNAL
RESOURCES**

Funding Model 1: **Consultancy Services**

Type of Resources: Internal

Key Features



- Provision of technical expertise to a third party by charging a fee.
- Involves training and skills development activities.
- Professionally developed expertise in any field creates value.

Benefits



It contributes to organisational visibility and internal capacity strengthening.

Who can consider this model?



Any CSO can develop and offer trainings and skills development to desiring organisations/individuals at a cost.

Debate Cameroon, a civil society organisation, has been able to generate alternative funding through consultancy services including skills development to secure its financial sustainability. From 2009 to 2014, the organisation was highly dependent on core support from Open Society Foundation. But when that support ceased, they had to seek alternative ways of mobilising resources. Initially, they were offering free training on leadership, public speaking, memorizing, parliamentary debate, media communication for secondary and tertiary students in Cameroon. With the support of the Board of Directors and after staff engagement, they decided to explore the consultancy model by providing professionally developed trainings in thematic related to debate such as negotiation, debate for advocacy, initiation to political debate.

The CEO, Binyou Bi-Homb Marius, however acknowledged that the adoption and transition process required more efforts especially in internal capacity building, financial investment in marketing and advertising. After a successful pilot training program in 2015, Debate Cameroon has consistently been improving its training services and added membership fees for professionals who expressed desire to be part of the organisation. The organisational culture, passion, dedication and commitment of Debate Cameroon' staff, was necessary when operating in difficult times. Some staff weren't paid for two or three months after the interruption of donor funding. Therefore, "Investing in staff support and skills development is a preventive way to become financially sustainable" said Binyou Marius. Debate Cameroon also started developing a reserve fund, enabling them to be flexible and better handle potential crises.

Consultancy is the practice of providing a third party with short-term technical expertise on advisory or implementation services on a matter they have limited or no knowledge. The provision of such services can take the form of a training or skills development activities. Training and skills development refer to a set of activities that are carried out with the aim of transferring new skills, ideas, tools and/or equipment to a set of individuals which they never previously possess to enable them carry out new tasks or be competent enough to carry out a new set of activities. This also includes building on existing knowledge to enhance it. Professionally developed know-how in any field is of a bigger value. When such know-how becomes relevant for policymakers, new markets begin to open for corporate clients as well as the public sector. It could be in the areas of human resource, technology, social media, organisational strategy, marketing, legal, finance, investments just to name a few. It can take various forms: Online or on-site courses, seminars, webinars and conferences. They are needed when organisations decide to change directions or move to a higher level.

Association Burkinabe de Fundraising from Burkina Faso explained how technical capacity (in relation to internal systems and processes) is an important driver of financial sustainability and can be a powerful tool for cultivating key organisational qualities. Furthermore, combining support for projects with support to improve technical capacity is effective. But this often happens only when the CSO explicitly requests it from their donor. The Cameroon De-



bate Association (CDA) revealed that pairing some technical assistance focused on organisational development alongside program grants allows them to put in place the systems and personnel needed to develop their own sustainability models.

What are the benefits of consultancy services?

Any CSO can develop and offer trainings and skills development to desiring organisations/individuals at a cost. Revenue generated through this means can be used to run the organisation, hence, a means of sustenance.

- What are the possible challenges of consultancy services?

- It rarely contributes significantly to the incomes of the organisation.

- It is a highly competitive market which often requires different and special marketing and management skills or often investment to make it profitable and sustainable.

- Ensure that there is a mid-to-long term business plan that will enable the CSO to maintain the production if they are producing goods.

Who should consider a consultancy services model?

This model of income generation is open to many CSOs because the simplest know-how to “sell” is the experience. Although there is a general expectation that such experiences are shared for free, in case the CSO can develop its know-how further, it will often find its own market. Project planning, proposal writing advices or any direct business services are typical in this category.

What are the steps required to set up consulting services?

Organisations exploring a consultancy model can consider the following steps to set up this approach:

- Assess the internal capacity of the organisation;
- Conduct a market research to assess the need and potential clients;
- Define clear, concise and feasible consultancy objectives;
- Inform the board about the rationale for operating this model;
- Develop a consultancy funding model or approach for the organisation. This could be in the form of a strategy that will guide the operation with this model;
- Present it for Board approval;
- Pilot it for one or two years and refine it;
- Explore whether the organisation’s approach is worth continuing or not.

Case Studies



DEBATE CAMEROON



**ASSOCIATION BURKINABE
DE FUNDRAISING**



Funding Model 2:

Asset Building

Type of Resources: Internal

Key Features



- All the activities that have to do with leasing of organisational assets/property for a specific period and under terms agreed between the organisation and the third party.
- The items could include but are not limited to conference rooms, halls, office space, chairs, documented resources.
- It requires strong organisational assets, including modern technology, safety and excellency in service delivery.

Benefits



- It provides regular funding and help to absorb the cost of maintenance of the facilities.
- Enhances the organisation's visibility on potential partners.
- Builds reserve to possibly expand the organisation's existing facilities.
- Provides revenue that cover costs related to daily operations.

Who can consider this model?



- Service delivery organisations.
- Any organisation that has a facility and can create available space to use it for that purpose. Usually, organisations that offer capacity building services can also provide space and equipment for rent.

The Southern Africa Trust (SAT) was established in 2005, to support civil society organisations in southern Africa to participate effectively and with credibility in policy dialogue so that the voices of the poor can have better impact in the development of public policies. Their 5-year strategy positions them as a unique regional grant maker, knowledge hub, convener and creator of collaborations between civil society, the public and private sectors. In line with this, they have acquired a property that has office space and conference facilities equipped with state-of-the-art technologies to reflect their strategic intent of influencing policy to drive poverty alleviation and SADC regional integration; thereby making these facilities available for use by their stakeholders, NGOs and SMMEs at a cheaper cost.

They are using modern technology to make their facility a plug and play (PnP) environment for their stakeholders. All their meeting rooms and board rooms are fitted with overhead projectors with dropdown screens, video conference equipment and Wi-Fi. NGO or company can use them as their venue for presentations, interviews, client pitches, training. Catering, coffee service, shuttle service, accommodation and other services are also available and can be arranged once requested.

Through a social entrepreneurship approach, they take pride in ploughing back the funds generated from their premise's rentals into their mission. They also advertise it as "a contribution to the poverty eradication and regional integration and toward realising the potential of youth and women²".

² <https://www.southernafricatrust.org/the-southern-africa-trust-facilities/>

Southern Africa Trust (SAT) is more than just a Trust for charitable work; it is uniquely about creating a Shared Value kit. They have come to realise that non-financial resources and assets can be just as important as financing in developing long-term sustainability.

Though donors and CSOs often think about financial sustainability in terms of financing, such alternative resources also build organisational resilience. Hard assets such as land, offices and materials can be important in giving organisations a stable resource base to leverage and build on, while soft assets such as local and international volunteers can reduce costs and reinforce social capital.

What are the benefits?

- It gives you unrestricted funding.
- It helps to absorb the cost of maintenance of the facility.
- It can help enhance the organisation's visibility on potential partners.
- It helps to build reserve to possibly expand the organisation's existing facilities.
- It gives you revenue that covers costs related to daily operations.



What are the possible challenges?

- There is associated maintenance cost to hiring of the organisation's facility because of increasing wear and tear resulting from prolonged utilisation;
- The facility is susceptible to the risk of damage of the property (lost, fire...).
- There is a risk of low return on investment if the pricing is not optimal.
- There could be a reputational risk in the sense that some stakeholders who perceive you a not-for-profit entity may now look at you as a money-driven organisation.
- There is a risk of contention with either the landlord of the facility or the tax authorities of the country in which you operate, as per the contractual or legal provisions respectively.
- There is a risk of diversion of revenue generated from the renting of these facilities if the financial management policies and procedures are not transparent and stringently respected.

Who should consider this model?

Any organisation that has a facility and can create available space to use it for this purpose. Usually, organisations that offer capacity building services can also provide space and equipment for rent. Internally, it may be relatively easy to reschedule work among staff. That's the case of SAT, whose staff are flexible enough to work from home, which frees up space for trainings and workshops. Through their website and other communication channels, they are strategically communicating with their potential clients on the availability of property they are renting out.

Case Study



SOUTHERN AFRICA TRUST



Funding Model 3: Events Organisation

Type of Resources: Internal

Key Features



- It refers to a set of activities that are carried out towards managing and implementing a specific programme.
- It requires both human and organisational internal resource from the planning to the implementation of events.
- It involves developing the concept, identifying a target audience, budgeting, making logistical arrangement, managing participants, executing the programme, evaluating it and reporting.

Benefits



- Raises the visibility of the organisation.
- Promotes other similar services within the organisation, hence increasing the generation of resources.

Who can consider this model?



- Advocacy and research organisations.
- Several CSOs engage in events organisation as part of their policy influencing process.
- CSOs with rich and relevant expertise organising events as part of their day-to-day activities.

CANGO is a membership-based non-governmental organization (NGO) operating in the Kingdom of eSwatini with a membership base of over 70 NGOs. CANGO is a registered NGO established in 1983 originally as a network of Primary Healthcare NGOs. Members of CANGO consist of NGOs/FBOs/CBOs registered in eSwatini and whose orientation is not to make profit. They subscribe annually to CANGO and construct the General Membership.

Over the years, CANGO has provided special events coordination support to its members and the other partners. For larger or more complex events, members and partners of CANGO hire the secretariat to help them design and plan the event in order to give them more time to concentrate on the fundraising aspects.

CANGO's support includes the design and planning of the specific event which may involve co-developing the theme and programme with its specific member or partner organization. This support has enabled CANGO to mobilize funding for its administrative and operational expenses.

For CANGO, "event organisation within the CSO sector refers to the process or set of activities that are carried out towards managing and implementing a specific programme or project". It may require both human and organisational internal resource from the planning to the implementation of events such as: conferences, conventions, workshops, seminars, trainings and community-led ceremonies.

What are the benefits of events organisation?

- This provides a source of unrestricted funds for an organisation.

- Organising large scale events can raise the visibility of the organisation.
- When organisations provide such services and meet or exceed expectations of their clients, the CSO can be requested to provide similar services on a regular basis, hence increasing the generation of resources.

What are the possible challenges of events organisation?

- A failure of the coordination of an event can affect the image of the organisation.
- Excessive requests of events will affect staff capacity to absorb since this can compete with the organisation's other activities.
- Time consuming and can easily turn the organisation away from its mission. Non-profits should therefore ensure to periodically and strategically map their impact pathways while generating revenue.
- Ensuring that profit-making is aligned with purpose.

Who should consider event organisation?

CSOs with relevant expertise in event organising could tender for open calls to carry out such projects as a means of sustainability. In organising large-scale events, non-profits can consider partnering with private sector entities that operate within this domain.

Case Study



Funding Model 4: Membership Fees

Type of Resources: Internal

Key Features



- It is a relevant tool to assess membership cultivation of the given organisation.
- It nurtures ownership of an organisation's vision and mission through intimate engagement.
- It can include regular contributions from staff, volunteers, or local community stakeholders as part of their participation with the organisation.

Benefits



- Provides immediate and unrestricted funds.
- Serves as a predictable and ongoing resource base.
- Members are motivated by the benefits that they receive from the organisation.

Who can consider this model?



- Humanitarian organisations.
- Advocacy and research organisations.

In the Democratic Republic of Congo (DRC), the “Coalition des Volontaires pour la Paix et le Développement” (CVPD) requires all staff, board members and volunteers to provide an annual membership fee to the organisation, which can be up to \$100 USD, and forms an essential ‘back up’ fund for the organisation. This relies on the fact that CVPD has a deliberate volunteer-first strategy with an up-front expectation that participation within the organisation is inherently mission-driven. Another CSO in DRC, Jeunesse a l’oeuvre de la charite et du development (JO-CHADEV) receives little to no external funding and relies on a combination of membership fees and staff contributions from small side businesses. They are also renting out the use of the photocopier to raise extra funds for the organisation. Since 2005, JOCHADEV has developed an extensive social capital in the form of local volunteers and community contributions which has allowed them to remain flexible in the face of financial shocks.

In 2007, the organisation Human Rights Focus (HURIFO) in Uganda used staff contributions, membership fees from local community members and board members to purchase a small plot of land on the outskirts of town, allowing the organisation to maintain operations when it lost its existing office space, following the government’s decision to give away the building to another institution. Although there is still significant work to be done, HURIFO’s ability to purchase a small plot of land thanks to membership fees gave the organisation the resilience to deal with sudden financial circumstances that would have otherwise been nearly impossible to overcome.

FIDA Uganda has used contributions from members, staff, friends, and family to provide rapid response services to women with serious legal needs that fall outside of the scope of grants from institutional donors; helping build FIDA’s local reputation as a responsive and effective organisation and allowing them to generate further revenue and services from their local membership base.

Membership fees are regular fees or charges a member pays in exchange for becoming part of an association that has something to offer. Of course, there are many problems in practice with membership fees, but that does not change the basic relationship between the CSO and its members.

What are the benefits of membership fee?

- Provides immediate and unrestricted funds.
- Serves as a predictable and ongoing resource base.
- Members are motivated by the benefits that they receive from the organisation.
- Cultivates ownership of organisational vision and mission through intimate engagement.

What are the possible challenges of membership fee?

- If membership fees are not a significant source of income for the association, its leadership will have less motivation to be accountable towards the members.



- Members may want higher decision-making role in the organisation, and this may provoke conflicts.
- As governments and municipalities often prefer to talk to bodies with the largest member support, some CSOs are usually interested in claiming the biggest membership possible to show legitimacy. That's why they often fail to collect membership fees or set it at a nominal level; not at one that represents a significant part of their budgets.

Who should consider a membership fee?

There are significant differences between certain groups of CSOs with membership in terms of their approach to membership fees.

Case Studies



HUMAN RIGHTS FOCUS



CVPD



JOCHADEV



FIDA



Funding Model 5:

Social Entreprise

Type of Resources: Internal

Key Features



- It refers to for-profit entities explicitly set up to drive both a social or environmental impact while making a profit.
- Starting up a social enterprise can enable an organisation to leverage on entrepreneurial principles to organise, mobilise and manage a for-profit business that supports social change.

Benefits



- Access to unrestricted funding streams.
- Attracts legitimacy and goodwill from a segment of the market that is socially oriented.

Who can consider this model?



- Service delivery organisations.
- Certain types of humanitarian organisations.

Millions of citizens in East Africa rely on public services that are inefficient, ineffective and corrupt. This is a huge problem, since public services are essential in the lives of citizens. SEMA³ is operating a social enterprise model that aims to increase transparency and accountability of public services by gathering real-time citizen feedback. SEMA improves the functioning of public institutions in Uganda by giving citizens a voice to provide anonymous, quick and reliable feedback about their experience at public offices; and sharing results in an effective way at different decision-making levels. While the government is very slow and unreliable as a customer, the private sector is reluctant to pay for their service which may not be lucrative enough. Therefore, part of their funding is provided by philanthropic organisations which have been leveraged by the CEO Nathalie Djikman, the team lead on resource mobilisation.

SEMA defines social enterprises as for-profit entities explicitly set up to drive both a social (or environmental) impact while making a profit. They are dynamic businesses with a social purpose aimed at delivering lasting social and environmental change. In this model, the principles and values of businesses and social organisations are brought together. This model provides a merger between profit and not-for-profit activities with the goal of accomplishing a social good. Key elements of success include the individual as a social entrepreneur, which matters more than the idea itself in many cases. Many millennials citizens may be more inclined to start social enterprises to respond to problems than join or create a CSO.

Many CSOs in Africa can turn to social enter-

prise models to mobilise domestic resources. For example, CSOs in Ghana are charging fees for services and use of facilities, and running income-generating schemes, while attempts are under way to establish relationships with high net worth individuals and companies, develop endowment funding and connect with potential sources of in-kind support. When they do this, CSOs are stepping into the marketplace in new ways and may gain new insights about private sector challenges.⁴

What are the benefits of social enterprise?

Adopting a social enterprise approach can enable CSOs to access financial resources which can be classified as unrestricted, hence, paving the way for an organisation to have the possibility of defining the development agenda it seeks to pursue, as opposed to relying on donors' financial support which, in most cases, can only be used for the goal for which it was provided. Nathalie Djikman, CEO of SEMA confirms that: "we shouldn't only rely on donor funding: firstly, because it doesn't bring local buy-in and secondly because it doesn't lead to long-term sustainability."

Leveraging on the social enterprise model can enable organisations to attract legitimacy and goodwill from a segment of the market that are environmentally or socially oriented. Thus, increasing the number of direct and indirect supporters of a social mission the organisation pursues.

⁴ CIVICUS, 'CIVICUS State of the Civil Society 2017 Report: Civil Society and the Private Sector' (CIVICUS, 2017), <https://www.civicus.org/documents/reports-and-publications/SOCS/2017/thematic-synthesis.pdf>.

³ "Sema" is a Swahili word meaning, "Speak! What's up".



What are the possible challenges of social entrepreneurship?

Greater costs and additional administrative burdens, which may be beyond the organisational and service development capacity of smaller CSOs to manage;

There is a significant lag time between when a social investment is initiated and when it bears returns. As such, the revenue from these investments must be heavily augmented with support from other non-traditional sources, such as crowdfunding and volunteers;

Social enterprise models may also be difficult for organisations not involved in providing service delivery as part of their core mission.

Who should consider a social entrepreneurship model?

Not all non-profits or CSOs can or should evolve into social enterprises⁵. The social enterprise model is suitable for organisations that seek to adopt an entrepreneurial approach to achieving social change. Organisations with a social mission can adopt a social enterprise approach to complement their efforts in promoting social change.

Social enterprise models are often set up by existing organisations or charities who wish to fund their work through trading – rather than simply relying on donations. They do this by setting up a business that contributes towards the attainment of some or all their non-profit

⁵ Innovation for Change: Programme Need Assessment (Diagnosis) Report. Investigating the Need (Appetite) For An Income Sustainability Programme, April 2019, p. 19

purposes⁶. However, the social enterprise model is easier to adopt, for those who intentionally consider this from the inception, than for existing organisations who are migrating into it.

Organisations focused on service provision in areas such as health and education are more likely and able to secure government funding, private sector partnerships, and individual donors' support, and better positioned to develop alternative revenue streams through social enterprises.

But to know more about whether CSOs proposed business have the key features of a social enterprise, they should ensure that:

- They are not run for personal profit.
- They operate based on a set of values.
- They operate using a commercial business model.
- They have a legal status appropriate to these characteristics.
- They have a social, community, ethical or environmental purpose.

What are the steps to establishing a social enterprise

1. Choose a social issue: Identifying a social issue to focus on and contribute towards addressing it is a critical element in setting up a social enterprise. This helps to have a focus, carve a niche and plays a key role in informing the business plan content development.

⁶ Grassl, W., 2012. Business Models of Social Enterprise: A Design Approach to Hybridity. ACRN Journal of Entrepreneurship Perspectives, 1(1), pp. 37-60.



2. Research the issue: Even if an organization has personal experience with the social issue they're hoping to solve, that doesn't make them an expert. They need to have a full grasp on the nature of their endeavour, so CSOs should take the time to do their research.

3. Get a global viewpoint: Even if the CSOs' cause is a local one, they need to look beyond. They need to take advantage to find out who the relevant innovators and innovations are worldwide, and to set up interviews with experts and potential customers. They also need to look beyond their industry, as valuable parallels can be drawn.

4. Examine the appropriate legal structures: The challenge faced by social entrepreneurs in Africa is that they must choose between a not-for-profit and for-profit structure from the onset, neither of which is entirely suitable for a business striving to create blended value. Before organisations decide upon a legal structure for their business, they should be sure to conduct research on both options, speak to other entrepreneurs about their experiences and endeavour to examine the impact their decision will make on the business.

5. Develop a solid business plan: Turn the organization's research into a business plan. A business plan should have defined goals and tasks, effective strategies and measurements for success.

6. Hire the right people: Building a team with a mix of practical, entrepreneurial and business skills⁷ will serve the social enterprise well. Ideally, those the organisation hires will share the

same concerns about the social issue it's striving to change and experience with the community they're planning to serve.

7. Build a company culture: For a business striving for blended value, the culture should likewise be blended, combining the best of both the traditional not-for-profit mentality and the traditional for-profit mentality.

8. Reach out globally: Build awareness – using traditional and non-traditional communication channels – about both the organisation's business and the social issue it's impacting. Establishing a global presence can bring many benefits. It can lead to further funding, opportunities to scale up the positive impact, increase awareness on the social issue and increase the number of persons interested in working for the organisation.

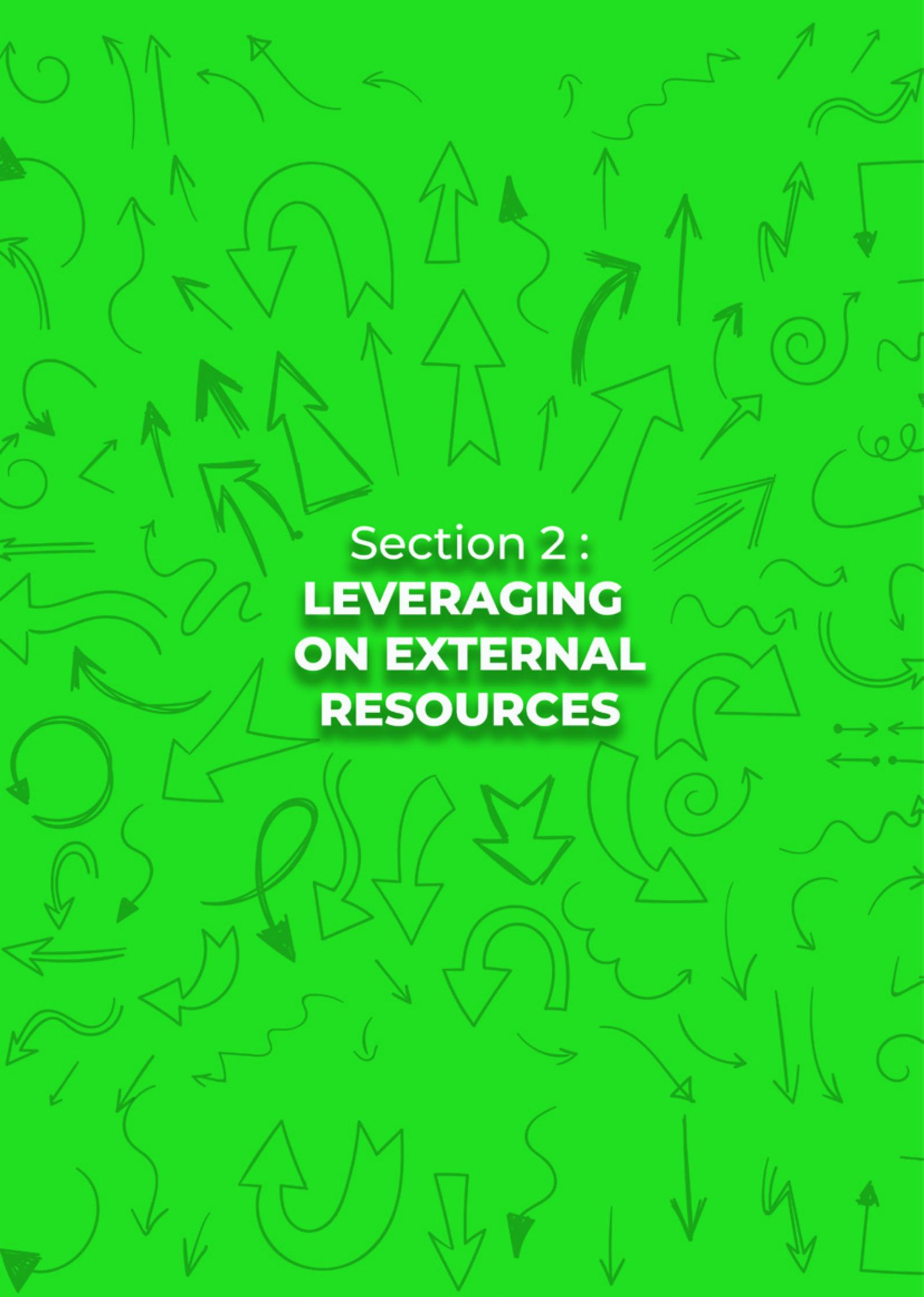
Case Studies



SEMA

⁷ According to a research conducted by Innovation for Change to assess the need for an income sustainability programme, the three most requested skills identified by the respondents were in: Costing and pricing, financial management, marketing and sales.





Section 2 :
**LEVERAGING
ON EXTERNAL
RESOURCES**

Funding Model 6:

Microfinance

Type of Resources: External

Key Features



It is the provision of small loans to low-income individuals who don't have access to financial services to create or develop their business.

Benefits



Relatively accessible to beneficiaries compared to traditional sources of funding.

Who can consider this model?



Appropriate for service delivery and humanitarian organisations, whose project target low income people in urban and/or rural areas.

The Kenyan Women Finance Trust (KWFT) is a program that was established by a group of Kenyan women in 1989 to provide credit to low-income women. The goal of the program was to promote the access to economically active low-income women, provide sustainable financial and non-financial services to these women for them to improve the economic social status of their households. Around year 2000, they started recording losses due to the low loan recovery rates.

The institution decided to take risks to achieve its financial self-sufficiency. For this reason, it has strengthened its actions in rural and urban areas by focusing more on low-income people. They restricted the amount of credit given to individual belonging to a group. If the individual did not pay on time, the other members of the group could no longer receive credit.

The measures undertaken enabled them to achieve a financial self-sufficiency rate of 105% in 2006. This success has allowed them to have enough clean funds to cover all their operating and financial expenses and to reduce their dependency from donors. The Trust now has 46 rural branches in eight regions of Kenya, compared to 24 branches in four regions in 1998. From 29,000 in 2000, more than 100,000 low-income Kenyan women are now running small businesses with KWFT loans. Women report that their lives have improved as a result of their relationship with KWFT. Civil society organisations can learn from KWFT's experience to generate additional financial resources through the microcredit model.

The story of Zawadisha Kenya Ltd is like KWFT's journey. Zawadisha is a CSO that provides small loans to rural Kenyan women to help finance their livelihoods. They started with this microfinance model because people value more what they have paid for rather than what is being given freely. As the Chief Operations Officer Monica Makori said: "giving free things will make someone not own them. When you make one pay, even a small amount, they will own it and value it to take care of it and see the benefits".

To implement this model, they made sure to include women from the beginning, conducted orientation sessions for women to inform their family before taking the loan. Zawadisha only provided loans to women belonging to Registered Women's Groups with the Government Social Services in Kenya.

For 7 years now, they have seen the lives of women change thanks to the small loans. These women have also earned respect from their family members for supporting their families. Generally, there is a 99% repayment rate as the loan reimbursed are used to give to another group of women. Except the fact that Zawadisha doesn't have enough funds to facilitate all the demands it received in Rural Areas, there are very few cases of defaulting from the participating women.

There currently exist around 14 micro-credit lending models⁸ being used by microfinance institutions: associations, bank guarantees, community banking, cooperatives, credit unions, Grameen, group, individual, intermediaries,

⁸ For details on the different models, see <http://www.gdrc.org/icm/model/model-fulldoc.html>



NGOs, peer pressure, small business and village banking models. The various models are loosely related to each other, and most good and sustainable microfinance institutions have features of two or more models in their activities.

What are the benefits of integrating a “microfinance” model?

- It increases active contributors.
- It gives access to unrestricted funding.
- It is relatively accessible to beneficiaries compared to traditional sources of funding.

What are the possible challenges of integrating a microfinance model?

- Maintaining the pace of growth.
- Failure to meet expectations of clients.
- Internal and external governance issues.
- Poor loan recovery rate can collapse scheme.

Who should consider integrating a microfinance model?

This alternative funding model is appropriate to organisations whose project(s) target low income people in urban and rural areas.

Case Studies



**KENYAN WOMEN
FINANCE TRUST**



**ZAWADISHA
KENYA LTD**



Funding Model 7:

Fiscal Sponsorship

Type of Resources: External

Key Features



- Fiscal sponsorship is a model where a CSO agrees to provide administrative services and assume legal and financial responsibility for, the activities of groups or individuals engaged in work that furthers the fiscal sponsor's mission.
- Sponsors can provide payroll, employee benefits, office space, publicity, fundraising assistance, and training services.
- CSOs may seek fiscal sponsorship for various reasons: an anticipated short lifespan, increased credibility, and low-cost financial and administrative services.

Benefits



- The project benefits from the experience and reputation of the sponsor, enabling the project to raise funds more effectively.
- Ability to receive tax-deductible donations.
- Fewer up-front costs.
- Qualification for more funding opportunities.

Who can consider this model?



- All type of CSOs, even advocacy and research organisations.

The West Africa Civil Society Institute (WACSI) was approached by the OSF's Africa Regional Office to serve as a fiscal agency to facilitate the operation of the African Court Research Initiative (ACRI) ahead of its full establishment as the African Center for International Law and Development (ACILD) in Ghana.

The project, dubbed ACRI - Phase 3, aims at providing research-driven policy advice for decision-making specifically on issues of accountability, justice and rule of law on the continent. Thanks to the support of the OSF's Africa Regional Office, the project specifically focused on conducting a research on the challenges and opportunities of ratification of the Malabo Protocol for the African Court; expanding and completing the Rules of Procedure and Evidence; providing a media platform for deliberations on the Malabo Protocol.

As fiscal Agent, WACSI had the overall responsibility of managing and disbursing funds under this grant. This process involved WACSI assisting ACRI in the preparation of financial reports, with WACSI taking the lead managing and tracking disbursements. WACSI and ACRI agreed on internal arrangements for disbursement of funds in line with WACSI's procedures and for ensuring that the reports are prepared and submitted on time. WACSI also facilitated payment to research consultants contracted in the course of implementing the project.

A fiscal sponsor is a CSO that provides fiduciary oversight, financial management, and other administrative services to help build the capacity of charitable projects. The role of the fiscal sponsor can include performing many different administrative functions on behalf of the sponsored organisation or program, including tak-

ing on the responsibility of receiving and administering charitable contributions on behalf of the sponsored organisation.

Generally, a fiscal sponsorship relationship confers the sponsor's tax-exempt status and certain administrative benefits onto a charitable project so that it can receive grants and tax-deductible contributions that it would otherwise be unable to receive. The fiscal sponsor typically retains the ability to exercise certain controls over the sponsored, and often requests a fee from the sponsored in exchange for its services.

What are the benefits of fiscal sponsorship?

Some benefits of fiscal sponsorship are enumerated below:

- Ability to receive tax-deductible donations: A fiscal sponsorship allows a charitable project to use the sponsor's tax-exempt status to receive tax-deductible donations.
- Better fundraising opportunities using the fiscal sponsor's network and expertise.
- Fewer up-front costs: A project seeking fiscal sponsorship is not required to incorporate or acquire its own status, saving the project these essential start-up fees.
- Qualification for more funding opportunities.
- Promote well-managed solutions and fiscal efficiency in addressing social problems or challenges.
- Through the sharing of a common administrative platform with a larger organisation, efficiency is increased.
- Transfer of knowledge, skills and habits from excellent organisational operation.
- Various service provisions by fiscal sponsor:



Fiscal sponsors provide numerous services to a project, including administrative support, accounting, office space, grant writing, and technical support.

What are the possible challenges of fiscal sponsorship?

FS practice carries certain inherent risks. CSOs should engage in fiscal sponsorship only if their executive leadership and boards of directors are fully aware of the obligations and liabilities they legally assume as fiscal sponsors.

- Administrative fees. Many fiscal sponsors charge administrative fees for the use of their facilities, services, and staff.
- Difficulty separating from the sponsor. It may be challenging to separate from a fiscal sponsor if the fiscal sponsorship agreement does not specifically provide for separation.
- Fiscal sponsorship arrangements, if not handled carefully, can be vulnerable to the criticism that they serve merely as conduits for the transmission of deductible donations to entities not qualified to receive them.
- It is important for both sponsors and projects to understand the exact nature of their relationship.
- Loss of control of the project. A fiscal sponsor may be both legally and fiscally responsible for the projects it sponsors. This liability requires the fiscal sponsor to exercise control over the project's funds and operation to ensure the funds are used for proper purposes to avoid tax and other legal liabilities, which may limit the project's ability to direct its operation in the way it wishes.

- Sponsor may receive credit for project's actions. Since the fiscal sponsor receives donations and often fundraises for the project, the sponsor may receive credit from the community for the charitable work the project performs. In such case, it is capital that a conscious effort is made by the fiscal sponsor to give adequate credit where/when it is due.

Who should consider a fiscal sponsorship model?

Using a fiscal sponsor enables you to attract funding for your operations that will be tax-deductible to donors.

Many CSOs engage in fiscal sponsorship activity on an occasional basis and it has evolved as an effective and efficient mechanism for starting new non-profits; seeding social movements and delivering public services. Some organisations may also remain in a fiscal sponsorship relationship for a long time, deciding that their mission can be achieved in that structure without creating a new entity. Some organisations in Africa find that utilising a fiscal sponsor is the right business model for them, as it helps them to outsource administrative responsibilities, whether back-office tasks, or those relating to fundraising and disbursement of funds. This structure might also be particularly well-suited for all-volunteer organisations.

Other elements to consider

- Projects with a short duration: If the project will only last a short duration, a fiscal sponsor-



ship may be the more economical choice.

- Time-sensitive projects: It's a good choice for projects that need to get off the ground quickly.
- Projects that want to focus their resources on charitable purposes: Because a fiscal sponsor often supplies administrative and technical assistance to projects, the project can focus its time and resources on furthering its mission instead of administrative tasks.
- Collaboratives or coalitions: This model is useful for groups of organisations or individuals working together on a project. The fiscal sponsor can centrally receive and disperse the grants and donations for the project, making money-handling more efficient.

What are the steps to establishing a fiscal sponsorship?

Sponsors are advised to ensure that the activity of sponsoring a project is done in furtherance of its own exempted charitable purposes, as sponsors can be exposed to some liability for the actions of any sponsored projects.

Projects are advised to recognise that projects will be under the control of their sponsor(s), who may be legally responsible for the operations and activities of the project.

The benefits of immediate tax-exempt status and administrative support must be weighed against the lack of autonomy and fees typically charged by the sponsor.

- a) Evaluate the charitable project: Evaluate the goals and needs of the project. Be sure to consider and decide what type of legal entity the project will become. If your organi-

sation decides to become an incorporated non-profit entity, follow the steps to do so. If your organisation does not wish to become an incorporated non-profit entity, it may want to consider becoming an unincorporated association in order to preserve some of the legal rights of its project. The types of legal rights the project preserves as an unincorporated association include the power to enter into the fiscal sponsorship agreement and the right to enforce the terms of the agreement in court.

- b) Decide on a fiscal sponsorship model: Consider the different fiscal sponsorship models and decide which will best suit the needs of the project.
- c) Find a fiscal sponsor: Do your research. Use the resources discussed in this guidebook to find the right fiscal sponsor to meet the goals and needs of the project discovered in step one.
- d) Contact the sponsor to discuss your ideas: Contact preferred fiscal sponsors to discuss the project and your plans for fiscal sponsorship.
- e) Execute a fiscal sponsorship agreement: Once an organisation has agreed to be the project's fiscal sponsor, a fiscal sponsorship agreement must be drafted and executed.

Case Study



WACSI

Funding Model 8: **Subsidiary Profit-Making Enterprises**

Type of Resources: External

Key Features



- Organisations with this hybrid model can pursue two goals that enable them to make profit while achieving their social purpose.
- They can create a purely commercial enterprise to generate funds to implement programmes, expand the scope of their operations, enhance their capacity and build infrastructure among others.

Benefits



Tax exemption when the revenues derived from economic activities sufficiently related to the statutory or public benefit purposes of the organisation.

Who can consider this model?



- Service delivery organisations.

In Ghana, despite the lack of a strong policy framework on social enterprises, Northern Sector Action on Awareness Creation (NORSAAC) is using a social investment model to gain revenues from seed investments in local social businesses that it helps to create. In 2012, when the CSO funding space was getting crowded with an over-reliance on foreign donor support, NORSAAC ventured into a subsidiary profit-making enterprise. Before starting, they made research on the best practices on the social enterprise model and during the implementation, they involved all their internal stakeholders including the Board of Directors, the senior management team, the extended management team and the pool of volunteers and project officers. The Board of Directors in thinking differently and changing mindset was very useful. For example, the Board of Directors had a committed sub-committee who attended capacity building workshops on local fundraising techniques.

The community women and young people in the Karaga and Sagnerigu Districts in Northern Ghana have been very instrumental in the process of establishing the social enterprise. The goodwill of the organisation in the region as well as the experience implementing similar projects that had a slightly different focus, have favoured a successful adoption and implementation of their subsidiary enterprise. The local community demonstrated support by earmarking them with a plot of land for the model market in the municipality. As a result, the organisation's revolving fund has grown to over 250% from the seed stage. The NORSAAC industrial village and the model market are also being nurtured. Despite these successes, NORSAAC

still experiences challenges convincing their investors over the dichotomy of their for-profit and not-for-profit systems.

In Ethiopia, the Development Expertise Center (DEC) is also operating Income Generating Activities (IGA) to subsidize their charity activities. According to the Executive Director Berhanu Demissie, they adopted this model when they "realized that mobilising resources from donor organisations was becoming difficult as donor agencies shifted their approaches from aid to trade. On the other hand, they had to accomplish their mission. Hence, this forced them to explore other opportunities where they could source financial resources".

Internally, due to the involvement of the Board of Directors, the management team, the IGA management members and the staff assigned to run the business activities, the profit-making enterprise has successfully been implemented. DEC's Board of Directors gave directions and guidance from the establishment up to the implementation level. The DEC's management members closely follow the implementation levels and update the Board of Directors when higher decisions are required. In addition, the DEC's management members inform the board about the daily routine activities of the business run by the staff. Externally, the existence of a policy on IGAs for CSOs, DEC's organizational capacity building on business model, change and risk management experience were additional factors that favoured the successful adoption and implementation of this model. Some of the steps they followed were:



- Understanding Ethiopia's law about the IGA engagement for the CSOs and facilitating license to run legal business.
- Internal capacity building on how to run the new business effectively.
- Market feasibility study and business development to engage on profitable business related to their experiences from their charity work.
- Finding start-up capital and starting the business.
- Working on promotion and marketing.

Currently, the business has more than 10 staff members permanently working and 12 persons on a temporary basis. The business is currently contributing approximately 3% of their financial needs and the following are some of the advantages it has provided:

- Built experience on business other than charity work; widening thinking in a business model and helping to design better programs on livelihoods and employment opportunities.
- Covered matching funds required by donors like the EU.
- Created good experience to work with the private sector and enhance public-private partnerships.

However, they also encountered some challenges, such as:

- Poor marketing and promotion strategy.
- Limited resources to run the investment in a large-scale.

- Low business mentality as more of their experience was on charity work rather than subsidiary profit-making activities.

What are the benefits of running a profit-making enterprise?

NPOs' income is tax exempt if it is derived from economic activities sufficiently related to the statutory or public benefit purposes of the organisation. It also protects the existing non-profits from debts and claims involving their subsidiary and its activities.

What are the possible challenges of a profit-making enterprise?

- There is a possible risk of engaging in income generating activities completely unrelated to the organisations' goals. According to NORSAAC's Resource Mobilisation Manager, Issah Aminu, "the type of operation and workforce needed to conduct the activities, even if related or unrelated and insubstantial, are not complimentary or are disruptive to the existing non-profit." This may raise questions around the organisation's relevance to local contexts, who you are accountable to, and how best to mobilise resources to achieve change; whilst maintaining roots and local connections.
- It requires discipline and may create unfair competition with similar operators within the for-profit sector.
- The existing not-for-profit organisation may



not have adequate resources (e.g., time and resources) to manage and run the activities of the profit venture.

Who should consider a profit-making enterprise?

Before choosing to operate two structures, you need to fully understand the requirements (both within the organisation and the legal requirements) of this approach, the associated burden of additional compliance and administrative costs.

What are the steps to establishing a profit-making enterprise?

- Identifying the need for the profit-making enterprise.
- Developing a business plan.
- Developing a budget that will facilitate the implementation of the business plan.
- Seeking Board advice and guidance to possibly improve and approve the implementation of the business plan.
- Piloting the implementation of the business plan and reviewing progress.

Case Studies



NORSAAC



**DEVELOPMENT
EXPERTISE CENTER**



Funding Model 9:

Incubation

Type of Resources: External

Key Features



- Incubation is a process of helping newly created organisations grow by providing them with the necessary financial and technical support.
- Incubators are organisations that help these promising start-ups acquire the resources needed to succeed as well as manage them.
- Services offered by incubators may include office space and other professional services or advices.

Benefits



- Helps the beneficiary build strong systems and processes and be focused from the onset.
- The incubator can charge a fee for its services.

Who can consider this model?



- Humanitarian organisations.
- Service delivery organisations.

The Moroccan Centre for Innovation and Social Entrepreneurship (MCISE) has adopted an incubation funding model as one of its means of increasing financial resources. Through their Dare Inc. programme, they select innovative social projects and support them with seed funding. In return, they get back 2% of profit over 5 years or 5% of equity participation from companies incubated that have reached maturity. Dare Inc. initiative has also created about 138 jobs. Other activities of the MCISE are awareness and advocacy, education and training, research and policy. CSOs can sustain their activities by providing seed funds and incubation services to potentially profitable business schemes and organisations to own a share of equity and benefit a share of any surplus such schemes eventually generate. However, while non-profits may acquire debt, they cannot access equity finance because they cannot distribute profits to shareholders.

What are the benefits of seed funding?

It gives leverage to organisations to build strong systems and processes; and it helps organisations be focused right from the onset.

What are the possible challenges of seed funding?

A lot of pressures on the organisation which often lead to much more attention on the return on investment (ROI) rather than its social mission.

Who should consider a seed funding?

Most CSOs that are services or products oriented can consider this model of funding.

What are the steps to establishing a seed funding?

Here are some useful things to consider before applying for successful external funding:

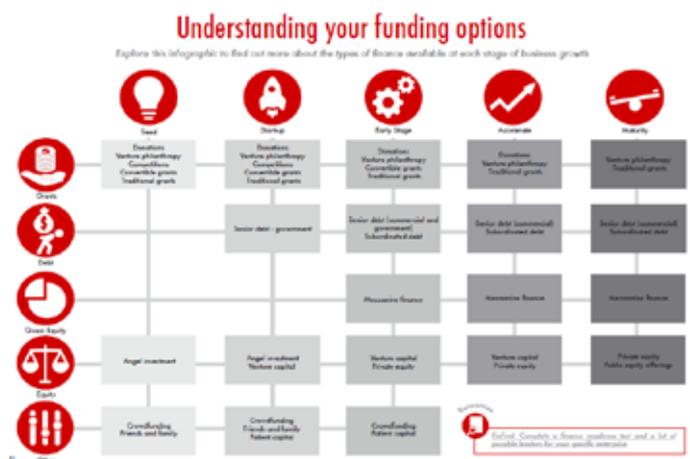
1. Understand your unique situation:

CSOs need to have a good understanding of what kind of funding they want to source or can source given the nature of their organisation. It is important to understand the funding criteria, the life-stage of the project and how-to strengthen your credibility through legal structures, labels or industry certification and accreditations.

2. Understand your funding options:

Understanding the reason behind their financial plan and the amount needed, will help NPOs identify the capital source, or combination of sources, that will best suit the needs of your organisation. Aligning your source of funding to your organisation's life stage is a good starting point when looking for funding.

3. Position your social enterprise for funding success:



Source: A guide to finance for social enterprises in SA, p. 11

Case Study



Funding Model 10:

Private Sector funding

Type of Resources: External

Key Features



- Innovative partnerships between CSOs and private sector is defined as any formal or informal arrangement between CSOs and one or more private sectors sharing the same objective to achieve social and economic goals.

Benefits



- More flexible and represents the source that might be used for fast response, tailored assistance and finance high risk projects.
- Plugs capacity gaps that hinder long-term sustainability.
- There is an increasing volume and quality of corporate giving.

Who can consider this model?



- Service-based organisations are usually more able to leverage funds from the private sector. But private funding also plays a vital role in financing advocacy and expert groups that are monitoring and reflecting on policymaking and its impact.

During a convening at the University of Ghana on CSO sustainability, Emma Orefuwa, from African Foundation for Development (AFFORD), shared insights into diaspora giving. Using the Young Diaspora Volunteering Missions (YDVM) as examples, she demonstrated that informal giving patterns and direct giving are potential methods for sustaining civil society activities that should be tapped into. Key points for INGOs and NGOs to consider include:

- The multiple identities and generations of the diaspora community.
- The need to be clear on the purpose of engagement.
- Using shared values as a means of creating solidarity between different diaspora groups.

Another noteworthy model is the private sector strategy of the Kenya Community Development Fund (KCDF). KCDF is promoting sustainable communities for social justice in Kenya. KCDF has partnered with various private institutions since its establishment, 21 years ago. KCDF has uniquely sourced funds from within Kenya and championed for local resource mobilisation which has been an attractive model to funding organisations. Through these partnerships, KCDF has acquired funding for several of its projects including its flagship project Pamoja for Change (Together for Change), which enables the organisation to give matching funds to communities on a 50-50 basis. They were motivated to adopt this funding model as private institutions were becoming more interested in contributing towards sustainable development goals (SDGs) and Vision 2030. This means that they are always on the lookout for likeminded

organisations who are willing to partner within development.

To implement this model, the KCDF Programmes and Fundraising team started by researching private sector entities to approach. Furthermore, the team booked appointments and sent proposals to communicate the potential impact of the partnership. Working with communities and enabling them take charge of their development agenda through matching funds was an exceptional approach that attracted the private sector to work with the organisation. The acceptance by both parties and corporates' interest on sustainable development and support towards local growth further enabled the process to be successful.

However, bureaucracies can hinder progress within private sector corporations and can make it hard for development organisations to get through to them with their proposals. Moreover, corporates are also increasingly forming foundations of their own and channelling their CSR budgets through them, making it harder for them to fund other development organisations.

The experience of Musika, a Zambian CSO established in 2011 is also worth mentioning. The aim of Musika is to improve the livelihoods of small-holder farmers across Zambia. They are supporting the development of the agricultural private sector via technical services and subsidies to change the practices of existing agriculture companies who want to work with small-holder farmers. Musika provides three



broad services: i) technical assistance to private sector organisations; ii) access to resources to catalyse change in private sector practices; and iii) brokering between the private sector and communities.

The experience of Musika in Zambia highlights that establishing a governance structure was key to successfully attracting funding and to communicating their partnership's approach to clients. Musika was set up as a not-for profit organisation and needed to establish its credibility with potential partners through defining its governance. This involved outlining the relationships between the different actors to establish the ownership structure of the organisation (shared between six existing agriculture-related institutions) and set out a structure for staff and senior management to show credibility and auditability for the funding requirements of DfID and SIDA. This structure also helped Musika explain to clients its services, accountability, support and facilitation of partnerships, and how partners could benefit from working with Musika.

Challenges they faced in the process:

- Ambiguity over whether stakeholders could contribute towards their objective.
- Commitment at the mid-management level was not taken up by or communicated to senior levels.
- People said they were committed but when it came to investing resources, they often fell absent.

Mitigation strategies they adopted include:

- Addressing non-commitment early: They started with a small group of committed members who demonstrated that they could achieve targets.
- Formalising commitment as soon as possible by defining clear objectives and expected results: Defining the clear added value of partnerships and paybacks; working together in a participatory way and gaining commitment of resources when an action plan was defined.
- Conducting a background check on each organisation to assess their ability to partner.

In West Africa, the Niger Delta Partnership Initiative (NDPI) is a partnership established in 2010 by Chevron Corporation through the creation of a strategic foundation in the United States of America/USA (NDPI Foundation) and an implementation foundation in Nigeria (PIND Foundation). The aim of NDPI is to establish innovative multi-stakeholder partnerships that empower communities to achieve a peaceful and enabling environment for equitable economic growth in the Niger Delta. NDPI provided access to finance, dialogue between public and private sectors and civil society. PIND supported this partnership activity through its two Economic Development Centers (EDC). Funding goals have been met. Activities and physical presence are drawing additional resources and donor agency programmes into the region. Specifically, this has involved supporting 10,202



direct beneficiaries, working with 155 organisations, supporting 93 local businesses and training 414 local business representatives. Many CSOs already access corporate philanthropy, and the potential to expand this is something that has long been discussed. The following constitute a range of possible areas of partnerships between civil society and the private sector:

- The sharing of expertise.
- Engagement to sensitise consumers.
- Collaboration on programme delivery.
- The provision of philanthropy to civil society.
- Cooperation on advocacy: advocacy towards other companies and down supply chains.
- Partnerships to enable the rights and livelihoods of primary producers in supply chains.

According to Uwe Gneiting⁹, the private sector is increasingly seen as a central actor in development, rather than simply a source of funding:

“Today, the contribution of business to development is no longer confined to creating wealth, employment, transfer of technology and the provision of goods and services but is supposed to contribute proactively to sustainable development outcomes through its core business and beyond.”

What are the benefits of private funding?

- Private funding is usually more flexible and represents the source that might be used for fast response, tailored assistance and finance of higher risk projects.
- Some organisations employ creative part-

nership models to plug capacity gaps that hinder long-term sustainability.

- There is an increasing volume and quality of corporate giving.

What are the possible challenges of corporate social responsibility and private funding?

There are potential challenges, risks or costs in partnership between the private sector and civil society, such as:

- Businesses may perceive CSOs as lacking professionalism and not efficient in their way of working, which offers a barrier to engagement. On the other hand, civil society may criticise private sector actors as being market-driven and public relations-oriented.
- Businesses tend to engage with civil society on immediate/short-term issues that relate closely to shared interests, but civil society struggles to develop longer-term relationships with the private sector on issues related to business priorities.
- Corporate philanthropy may be directed through corporate foundations that position themselves as competitors to CSOs.
- Different uses of terminologies may cause a problem when trying to form an efficient relationship with the private sector.
- CSOs are afraid of losing their decision-making capacity, autonomy and becoming dependent on private funding. There is a misconception that if a corporation directs

⁹ Uwe Gneiting, 'The Private Sector and the SDGs – Implications for Civil Society', Civil Society & the Private Sector (CIVICUS, 2017), <http://www.civicus.org/documents/reports-and-publications/SOCS/2017/essays/the-private-sector-and-the-sdgs-implications-for-civil-society.pdf>.



funds towards an organisation's project, then the organisation will not be able to freely implement the project and will have to make changes that will affect its very identity.

- Mistrust and reluctance to collaborate (also cited as an obstacle by the National Consultation of Civil Society (NCCS) of Togo).
- Raising funds especially from individuals is still difficult for most CSOs due in part to a lack of skills and in part to a lack of belief in the effectiveness of asking people for money. Yet, the experience from developed countries shows that the single most reliable source of funding for an NGO that can help ensure long term sustainability is the support of committed individuals¹⁰.

Who should consider a private funding?

Service-based organisations are usually more able to leverage funds from the private sector. But private funding also plays a vital role in financing advocacy and expert groups that are monitoring and reflecting on policymaking and its impact.

What are the steps to establishing a partnership with private sector?

To find a good partnership, CSOs must identify and evaluate the potential of partners and check the partner's objectives and/or vision. The following is simple guidance to consider:

- Outline your partnership's vision and mission.
- State the objectives or goals, needed resources and relationships to accomplish

¹⁰ Small pools of unrestricted funding can be critical for organisational resilience. Gaining a substantive commitment from a wide range of people can contribute to an organisation sustainability.

your objectives, and key agents of change in the partnership.

- Describe potential barriers to your partnership's success and how you would overcome them.
- Identify what financial resources will be needed.
- Describe how responsibilities will be shared.
- Describe how the partnership will maintain momentum and foster renewal.

Important Notes

- Networking is key: use your networks and constantly create new networks!
- A non-institutionalised form of giving happens when there is some level of emotional connection with the cause. Such non-formalised grant-making may take long and often have high levels of accountability.
- You have to invest in individual givers through various forms of communication, and make them become more and more committed and more reliable in terms of financial commitments. Understanding the fact that individual fundraising is a short-term high-cost long-term high-return investment, may help to create a legal and fiscal framework that promotes such giving.
- Local funders and intermediary organisations play an important but often overlooked role in CSO sustainability.
- Sinking funds represent an interesting model of charitable giving. Sinking funds mean that the donor(s) establish a fund to be distributed in grants over a longer period. They



are interesting from a CSO point of view as the impact required is usually clearly defined, the funds are available for a relatively longer term, and still, it motivates and pushes all players to achieve results in the available period.

- The importance of private and especially individual funding is often underestimated by CSOs in Africa.

From CIVICUS 2017 Report on Civil Society and the Private sector¹¹, here are some suggestions to improve the collaboration between both sectors:

1. Develop, communicate, adhere to and continually refresh partnership principles for engagement with the private sector.
2. Be honest about and openly debate your own challenges as civil society that may prevent you from engaging more effectively with the private sector, including challenges rooted in attitudes, perceptions, connections and capacities.
3. Engage with the private sector wherever possible to make the business case for open civic space.
4. Be prepared to recognise and reward exemplary business practice as well as expose and condemn poor practice.
5. Mix insider and outsider strategies that combine engagement in private sector dialogue with the right to protest and organise externally. As part of this, develop your own, civil society-owned alternatives to elite business forums.
6. Engage directly with citizens, including by working to sensitise and mobilise citizens to

scrutinise and exert accountability over the private sector, through public campaigns and consumer action.

7. Support and engage with moves to strengthen international law towards the private sector, and the proposed treaty on transnational corporations and human rights, and advocate for the domestication of international norms through progressive national legislation.

8. Work to connect across civil society in its widest sense, including by building new connections between human rights and sustainable development-oriented CSOs, trade unions, social movements, social enterprises, socially responsible companies, industry associations. Work to equally build connections between the global and local, and the global south and global north. As part of this, show solidarity with and provide protection for civil society activists who are threatened when they work on private sector issues.

9. Document and be honest about your learning from your engagements with the private sector, including documenting your mistakes as well as your successes.

Case Studies



KCDF



MUSIKA

¹¹ CIVICUS, 'CIVICUS State of the Civil Society 2017 Report: Civil Society and the Private Sector'.



Funding Model 11: **Social and Green Bonds**

Type of Resources: External

Key Features



- Social and green bonds are bonds instruments where the proceeds are exclusively applied to finance or refinance projects with social and/or environmental benefits.

Benefits



- Green bonds are one of the most promising opportunities for non-profits.
- Green bonds tap the vast pools of financing, the trillions of dollars held by institutional investors.
- Some investors are willing to publicise their investments in green bonds as a way of bolstering their own reputation and visibility.

Who can consider this model?



- Service delivery and humanitarian organisations.

Green bonds are generally a fixed income instrument where the proceeds are exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects and which are aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP)¹². On the other hand, social bonds finance projects that directly aim to address or mitigate a specific social issue.

The combination of social bonds and green bonds is called "sustainability bonds". The aim of these bonds is to promote responsible investment in sustainable development and advance the performance of corporate companies on issues of environmental and social impact. This is an innovative route to funding development projects and ensure the sustainability of organisations. It provides an opportunity for civil society to conceptualise projects which can help low income earners to have access to goods and services from the education, agribusiness, health and finance sectors. Green bond proceeds are already being used to finance environmentally friendly projects in Africa. The African Development Bank (AfDB) has allocated up to US\$ 214 million from green bond issuance to the financing of 1889MW renewable energy capacity in different countries on the continent. Other projects of the AfDB that have benefited from green bonds are in the water and waste sector that are geared toward yielding water savings and job creation. In December 2018, Bank Windhoek issued Namibia's first Green Bond. This makes the bank the first commercial bank to issue a green bond not only domestically but across the Southern African region.

¹² « Namibia: Bank Windhoek issues first Green Bond | AFRICAN MARKETS », accessed on 15 March 2019, <https://www.african-markets.com/en/news/southern-africa/namibia/namibia-bank-windhoek-issues-first-green-bond>.

What are the benefits of social or green bonds?

- Green bonds are one of the most promising opportunities for non-profits. Almost unknown a decade ago, they now stand as a key private sector solution helping finance the world's transition to a low-carbon future.
- Green bonds tap the vast pools of financing, the trillions of dollars held by institutional investors such as pension funds, insurance companies, and sovereign wealth funds available in global capital markets.
- The size and liquidity of green bond issuance is an important factor for investors.
- Some investors are willing to publicise their investments in green bonds as a way of bolstering their own reputation and visibility.

What are the possible challenges of social or green bonds?

There is a lack of clarification about what a "green bond" is.

Who should consider a social or green bond?

Though the green bond market is still very young, an important aspect of exploring opportunities in green bonds is developing an understanding of the type of investors and the nature of their demands. Looking at the experience outside the African continent, a recent survey in the US noted that particularly active green bond buyers included asset managers, investment consultants,



foundations and endowments, faith-based investors, investment banks, corporations, insurers and public pensions. Common projects were in:

- Clean Transportation.
- Climate Change Adaptation & Climate Smart Agriculture.
- Energy Efficiency & Resource efficiency.
- Green Buildings and Trade.
- Renewable Energy & Sustainable Land Use.
- Sustainable Waste & Water Management.

Case Study



BANK WINDHOEK



Funding Model 12:

Crowdfunding

Type of Resources: External

Key Features



- It refers to capital raised through social media and marketing campaigns which request capital in small amounts from many people.

Benefits



- It hedges risk.
- It's free to set up.
- It is easier comparing to traditional donor applications.
- It's also a marketing tool.

Who can consider this model?



Humanitarian, service delivery, research and advocacy organisations are all suitable for crowdfunding.

Adeola Fayehun, a popular broadcast journalist from Nigeria, has successfully raised \$37,000 to help over 200,000 Cameroonian refugees in Nigeria¹³. The money raised helped to buy pads and sewing machines to empower some of the refugees. Even though she doesn't reside in Nigeria, she used her influence and network to raise funds, while a local organisation, KIRWA Foundation, provided the needed on-the-ground support to the refugees. As people wanted to know about the status of their donations, she updated her audience on the impact of their support through regular and emotional videos on YouTube¹⁴.

From 2003, the African Foundation for Development (AFFORD) also experimented with a crowdfunding model. AFFORD developed and worked on projects focused on mobilising young Africans, aged 18-35, to support development in Africa. The engagement revealed that many young Africans were committed and passionate about giving to the continent but lacked structures, systems, methods and pathways for giving. AFFORD has sought to understand and overcome the challenges facing this demographic. One way is by creating structures that enable them to harness the resources available to them. One that transforms the potential of young diaspora giving and philanthropy for development in Africa.

AFFORD enables volunteering, business opportunities, knowledge sharing and cultural experiences for the diaspora commu-

nity. They facilitate support for finance and crowdfunding to be raised via their platform while also offering guidance on how to capitalise on the growing opportunities in Africa. They also allow members to raise funds through the organisation. In 2008, individual representative¹⁵ of AFFORD ran several fundraising campaigns for their RUN TO THE BEAT half marathon - 13 miles. All money raised was used towards AFFORD's SEEDA programme, supporting small and medium-sized businesses in Africa to create jobs.

Crowdfunding promotes an organisation and the project they aim to raise funds around. Crowdfunding is increasingly used and incorporated by non-profit organizations in their fundraising programs. It is an effective tool that enables an organisation's supporters to meet and exceed their goals of raising money for the causes they cherish most and can even build awareness around.

When planning a crowdfunding campaign, a messenger or representative spreading the message is key because his/her personality, credibility and previous track records could affect the outcome of the campaign.

What are the benefits of crowdfunding?

- It hedges risk.
- Setting up a crowd funding campaign is free.
- It is easier to run a crowdfunding campaign than traditional donor applications.

¹⁵ Onyekachi Wambu, 'Read Onyekachi's Story', accessed 15 April 2019, <https://www.justgiving.com/onyekachiwambu>.

¹³ Adeola Fayehun, « Help Cameroonian Refugees », [gofundme.com](https://www.gofundme.com), consulté le 10 avril 2019, <https://www.gofundme.com/savecameroonianrefugees>.

¹⁴ Adeola Fayehun, How Your Giving Is Impacting The Lives Of Cameroonian Refugees, consulté le 12 Mars 2019, <https://www.youtube.com/watch?v=iFO7yACAVJ4>.



- It serves as a marketing tool. It is a free public relation tool that can attract potential investment from traditional channels and attention from media outlets.

What are the possible challenges of crowdfunding?

- Poor IT staff training and fundraising skills.
- Lack of widespread philanthropic culture in case of individuals.
- The political sensitivity of human rights organisations' work may be a major barrier to mobilising support from the local business community. This is the case in Uganda for the Foundation for Human Rights Initiative¹⁶.

Who should consider crowdfunding?

Any type of organisation or individual can run a crowdfunding campaign.

What are the steps to establishing a crowdfunding campaign?

The following is a short and simple guide about the process¹⁷ and the steps to plan one:

- 1 Planning the campaign: Plan the campaign's timing, duration, and other details. Plan for human resources, which would mean both picking a team with suitable and enthusiastic people from your organisation and involving volunteers also. If it's your first time, make sure to research everything you need to know about crowdfunding in order to mine for more success strategies. You

¹⁶ Foundation Center Peace Direct and LINC, 'Facilitating Financial Sustainability', May 2018, <https://www.peacedirect.org/publications/facilitating-financial-sustainability/>.

¹⁷ A. J. Agrawal, '12 Key Strategies to a Successful Crowdfunding Campaign', Entrepreneur, 11 January 2018, <https://www.entrepreneur.com/article/307250>.

should also research your target audience¹⁸, know exactly what they want without any assumptions. Finally, set your fund-raising and production goals and any other goals needed to keep your project moving forward within a specific time line.

2. Deciding a theme: Pick a theme that resonates well with your mission, vision and the core objective of your organisation. The theme must be catchy and appealing to donors. For example, if Women's Day is near, an organisation working on women's empowerment can tap into the potential of the opportunity, as it will be well-timed and lot of content will already be floating on internet; so it will also save some effort to make your cause known.
3. Mapping and tapping into your network: Tapping into your network is the key to success in any crowdfunding campaign. Your network is your net worth. Map your network and classify it. Be it individual, corporate, another non-profit, map it all, and classify it in terms of who will be the advocate or ambassador of your cause, who can just spread the word, and who can donate and make others donate.
4. Work on your marketing plan and pitch: Once you know who your target audience is and what they want, create high-quality print and web marketing materials. Prepare the communication material for every group in a targeted and focused manner. Decide on timelines to utilise this content and the

¹⁸ <https://www.entrepreneur.com/article/270131>



appropriate platforms. Your pitch to potential investors represents your one chance to convince them to hand over their money to people or a cause they don't know. Spend as much time as possible on the pitch, taking advice and feedback wherever it is available. Look at successful pitches on your platform of choice and learn the lessons from these examples. The most successful crowdfunding pitches aim to build a community of supporters – that's about convincing backers that they're supporting an organisation they can believe in.

5. Choose the right platform: There are several crowdfunding platforms out there but all are not contextually suited to the country you reside in and its own financial regulation systems. In some African countries, such as Ghana, you can't officially use and withdraw money from a PayPal Account. Therefore, consider your project parameters and do your research to find the platform best suited to what you're offering. Remember that the right platform will help you connect to your target market and potential investors.
5. Starting the campaign: Once you are ready with the planning and your network has been listed and contacted, and all the communication content is ready, it is time to set the ball rolling. Make sure you have a start date and an end date, you have planned how much you want to raise, you have listed who will be contacted, with what frequency and communication tones, and the platforms you will be using to spread the word.

6. Accelerating your efforts: Share your cam-

campaign on social media, with family and friends, on blogs and anywhere else you can get it out there. The wider your reach, the more potential you have for investors to see it. Keep your well-wishers posted about the cause, efforts you are making, how they are doing in making you get closer to your goal, how much farther you wish to go. While you're not required to reward your donors, offering something in return for their support makes for a more successful campaign. Keep the communications going during the campaign, and even after it. But keep in mind, you must balance the communication content and frequency to make sure that your message gets across, while not over-advertising it.

7. Post-campaign: After the campaign, don't forget any of the promises you made. If you follow through on your promises, you'll not only build credibility for any future projects, you'll also avoid disappointing your donors or investors. Also, sit with the entire team, introspect, brainstorm, and draw conclusions about what went well, and what went wrong. Be assured that the lessons-learned were worth the effort, even if you did not reach your target, but make it a point to note and not repeat the mistakes when you do such a campaign again in future.

Case Studies



Adeola Fayehun & KIRWA



AFFORD



Conclusion

Beyond financial sustainability, CSOs also need to focus on operational and programmatic sustainability. In a future dominated by complex development priorities and multiple new actors, CSOs need to be flexible and adaptable if they are to remain relevant and accountable to those they support or the societies to which they belong. They need to avoid becoming too rigid in their structures, resource bases, their relationships and links.

From the different models of funding presented in this guidebook, we have observed that strategic focus and long-term planning enhance better impact and strategic use of funds; while a predictable and financially solid operation increases the quality of work. We

also noticed that it can be difficult and very challenging for those working in the human rights space, to imagine income-generations which still align with their mission. Finally, organisational culture with the passion and commitment of staff to the organisation is necessary for organisations operating in difficult or unstable environments.

These alternative models of funding are not a panacea and do not work for all aspects of development. They may have different applicability depending on the operational context .



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Appendix

Survey questionnaire

Interview/discussion questions

Name of staff

Position in organisation

Name of Organisation

Country

Thematic area they work in (if the case)

Consent to use information from this process in guidebook (respond to email or sign consent form)

1. What do you understand by (name of the model)?
2. How long have you been doing it?
3. What results have you achieved with it vis-à-vis contributing to your organisation's overall financial needs?
4. What urged/promoted/motivated your organisation to adopt this approach?
5. What specific steps did you take to implement this approach?
6. What challenge(s) did you encounter?
7. What factors favoured a successful adoption and implementation of this process/funding model in your organisation?
8. Who was involved in the process of adopting and implementing this model?
9. (For each person or group of stakeholders mentioned, explain the capacity and degree of involvement)
10. Did you encounter any setbacks in adopting and implementing this model? If yes, what are these and how did you address them (if so)?
11. What do you consider to be some of the benefits (advantages) of using this model to get funds to do your work – to your organisation?
12. Do you see any demerits/ challenges (disadvantages) of using this model, or any that other organisations who may want to use this model to generate funds to do their work may encounter?



