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Toolkit

EXPLORING NEW FUNDING APPROACHES FOR CIVIL SOCIETY

Forus – April 2020

This toolkit is for civil society networks and organisations interested in improving their practices around funding, financial sustainability and in influencing the donors supporting them. The recommendations are also relevant for funders, partners and other key stakeholders seeking to better support civil society. The toolkit will assist organisations and networks to influence the donors supporting them and will support the whole sector in striving for excellent approaches to engaging, partnering and funding civil society.

This toolkit is action-driven and explores the concrete implications of a research previously undertaken by Forus, suggesting specific actions that civil society networks can take to improve their financial sustainability. This toolkit will support CSO networks and their members to reflect on how they currently finance their work; assess how they can maximise their current income streams; and explore new funding options by highlighting new fundraising modalities currently being piloted or rolled out by Forus members and partners.

This toolkit was written with the support of Flamingo for NGOs (funding, learning and management consultancy). The research team included Rachel Haynes, Victoria Ireland and Jaymie Duke.

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How to use this toolkit

This toolkit is an action-oriented guide for anyone interested in the funding of civil society networks. Whether you are influencing the future strategic direction of your organisation or tasked with raising funds directly, it will help you plan your next steps. The toolkit explores what other networks are doing well, what they are struggling with, and what they are learning. It will guide you through the process of assessing how you can apply that learning in your own organisation. The toolkit includes three sections:

Section 1 ▶ The State of the Sector

This section summarises the key findings from the research report to enable organisations to situate themselves within the current context of the sector and prepare you to answer the questions posed in Section 2. As you read it through you may want to take a note of points that resonate with your own experiences, and areas that differ in your context.

Section 2 ▶ Key Recommendations for Sustainability

This section outlines and unpacks 6 recommendations that Forus believes every network should be reflecting on how to ensure financial sustainability. Using strategic questions, this section will help you to analyse how your own organisation currently approaches its fundraising strategy and reflect on whether the recommendations could work for your organisation, in your country or region, at this time. The toolkit includes a range of action points, including some that are less resource heavy, to ensure there is something that all organisations have the capacity to reflect and act upon.

Section 3 ▶ Influencing the fundraising environment

This section draws together some key requirements to ensure a well-resourced, sustainable civil society, including networks, their partners and donors. It highlights key recommendations from the research report, as well as existing calls to improve the relationships that civil society has with donors, the private sector and government.

Preface

Civil society networks play a unique role in making progress towards the Sustainable Development Agenda 2030. They offer a platform for dialogue between local communities, non-governmental organisations (NGOs), International Non-Governmental Organisations (INGOs), and policy makers. They gather, collate and disseminate data and evidence, which individual members may not have the resources to achieve alone. They also play a key role in strengthening the sector through training, capacity development and data sharing.

Forus is a "network of networks", a global network of NGOs working to promote sustainable social and economic development for all with a membership comprising 7 regional coalitions and 69 national development platforms representing more than 20,000 NGOs. Forus has representation from all continents and is led by its members.

In 2019, Forus commissioned research into the current funding sources and modalities for civil society, with a particular focus on civil society networks at national and regional level. For the purposes of this toolkit, the term 'civil society networks' and 'networks' will be used as a generic term to capture a range of umbrella organisations at the national, regional and international level including national NGO platforms, regional coalitions, and other civil society groups and membership organisations.

This toolkit has been developed out of the key findings and recommendations contained within Forus' research report: **Promising Approaches to Financing Development In The 21st Century** published in July 2019. The aim of this research report was to investigate the strengths and weaknesses of different CSO funding modalities to shape evidence-based recommendations regarding promising approaches for resourcing civil society organisations and networks.

A literature review and 21 online surveys & semi-structured interviews are the basis for the content of both the research report and this toolkit. The surveys and interviews were held with a range of Forus members, their partner organisations and think-tanks of varying sizes across different regions, sectors and languages. A complete list of interviewees can be found in the annex.

The research was designed to identify current trends and promising new approaches; to analyse the strengths and weaknesses of different funding modalities; and to explore how civil society networks can become more financially sustainable.

One of the key findings from the research report is that civil society networks are generally unaware of the successful funding approaches used by other networks and want to know more about the sector as a whole. It is important to note that not all recommendations and ideas will be applicable to all civil society networks, given the huge diversity of organisations.

In the case of Forus' 69 national and seven regional members:

▶ Some members have been established for decades; others are just a few years old.
▶ Some have annual budgets in excess of $10m; others operate on annual budgets of less than $10,000.
▶ Some members focus on single countries, others on whole regions, and some are global in reach.
▶ A few operate in free and open societies; most are affected by closing civic space.
▶ Some are registered in low income countries, others in middle income, and some in high income countries.

Each network will, therefore, need to apply its own analysis of the local context and of its own organisation to adapt the ideas. In light of this, the toolkit is a practical resource for organisations to work through intentionally, rather than a simple list of top tips.

1 The state of the sector

A wide range of organisations participated in the research. These were mainly Forus members and partners who serve diverse geographies and memberships.

The income levels of these networks are also diverse, as is the direction that income is moving. Some have annual budgets in excess of €10m; others operate on annual budgets less than €10,000. Many have fairly static income levels, some have declined dramatically during the past three years, and others have seen significant growth. However, one of the most concerning and common findings from the research was the **lack of diversity in funding modalities** for the majority of networks. Many of those interviewed, especially those based in the Global South, are heavily dependent upon one or two income sources. A significant and common challenge is dependency upon funding from the EU, which represents more than 60% of the annual income for more than half of our respondents. Most networks struggle to find sources of funding for core costs, and are highly dependent on project funding.

The researchers also found that civil society networks have witnessed **traditional funding streams shrink**. This has been accompanied by greater uncertainty in relation to funding size, sources and models from traditional donors. Modifications have been made to donor criteria, including diversification of funding sources, requirements for private sector partners, and more stringent requirements to demonstrate impact. **New sources of finance are also emerging**, such as the rise of emerging market philanthropists and social investment products such as Development Impact Bonds[1].

New mechanisms to access finance are also emerging, such as **crowd-sourced funding and online lending platforms** that directly connect lenders and entrepreneurs. However, networks warned of the difficulties of crowdfunding for advocacy work, because of the difficulties of mobilising support from the general public for less direct work. For instance, a member of the public may be more inclined to financially support an NGO to distribute medicines to a community directly, rather for an NGO's advocacy campaign which asks a government to distribute the same medicines. One interviewee, The Voluntary Action Network for India (VANI), suggested that institutions need to simplify their 'over complicated' messaging, in order to mobilise public support. Simpler and more direct communication of a network's impact would help to demystify the work of networks and change donor behaviour.

As the Society for International Development (SID) and VANI explained, there is a hurdle when it comes to networks communicating to the public about their work because they are removed from direct contact with public and cannot easily **demonstrate direct impact** on the lives of individuals, making their case less marketable. Having strong understanding of their theory of change and impact, through improved Monitoring and Evaluation systems can enhance an organisation's communications and interactions with the public, helping them better promote their work to these groups.

The researchers also noted that the relative **significance of membership fees** for networks varies considerably, with some able to attract up to one third of their income through this route; whilst others, notably in the global South and in areas of shrinking civic space, including Asia, Eastern Europe, and parts of South America, are struggling to maintain any consistent membership fee income at all. Most of these organisations categorised their income from memberships fees as either 'insignificant', or 'irregular' and valued it at under 5% of their income.

Social enterprise or income generation was another area of growing interest to many of those interviewed. None are yet generating significant income, but several are beginning to develop offers of services and facilities with a view to establishing a reliable and unrestricted income source. This is seen by them as an important means of diversification, and one that organisations might have more control of than grant funding. However, it is difficult to get it right: there are challenges and risks associated to running a profitable business-arm or taking on consultancies. They need to contribute to, rather than detract from, the network's core mission: "the danger is that the business arm takes over" (SID).

One of the biggest challenges to CSO innovation and independence was found to be the **closing space for civil society**, which is affecting many civil society networks. However, this can also present an opportunity, as funders begin to coalesce around efforts to tackle closing space and may be attracted by the convening role that networks are able to play.

A final common theme that ran across the interview respondents was that they did not have a clear idea of funding approaches taken by other networks, or what is and is not working in others' fundraising strategies. They were keen to **learn more from their peers**. Whilst the research report revealed that there is a diversity of contexts within which civil society networks operate and that funding approaches that are promising in one context are unlikely to be successful in all contexts, there is great value in encouraging this increased sharing and learning. It not only raises awareness of new ideas and shares lessons, but also helps stimulate and encourage testing of these new ideas.

The research found that **the civil society sector can sometimes be slow in looking ahead and preparing for upcoming funding challenges,** opportunities and associated risks. If not addressed, this can lead to over-dependency on a single donor, or outdated programming. Successful forward planning requires dedicated time, and thinking space to reflect on, strategize for and budget for sustainable funding. Below are several recommendations to assist with this reflection.

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1 A development impact bond (DIB) is an outcomes-based funding structure for the delivery of public services in low- and middle-income countries. DIBs leverage government aid agency or philanthropic funding, non-profit service provision, and private capital. DIBs are an adaptation of the social impact bond, pay for success, and social benefit bond models used in high income countries such as the UK, US, and Australia. https://golab.bsg.ox.ac.uk/knowledge/basics/introduction-development-impact-bonds/

2 Key Recommendations for sustainability

When reading this section for the first time, you might want to take note of the following:

▶ Which case studies and ideas most resonate with your organisation?
▶ What can you learn from similar organisations without needing to reinvent the wheel?
▶ What can you learn from bigger or smaller organisations that you can adapt to your own situation?
▶ What would you do in another organisation's position? This question can really help you to think 'outside the box' without fear.

Reading through this section with these questions in mind might help you to develop an action plan towards more sustainable funding. Your answers to this section could be integrated into your organisational funding strategy.

2.1 Know your value

It is important to begin a fundraising review with a clear understanding of the unique role and value of your network. Understanding who values you and why and being able to capture and demonstrate this value is key to establishing an organisation's legitimacy and informing their subsequent funding and advocacy strategy. Identifying this unique value may also give ideas for future growth areas. Whether seeking income from donors or membership fees from your constituencies, all organisations need to be able to understand and demonstrate their value clearly.

The first step is to **identify your unique value**. Why do you exist? What do your donors most value about your work? What is your niche? What makes you different to other organisations working on similar objectives?

Secondly, consider **how you can demonstrate this**? Collecting and analysing data should be an integral part of your project's design captured through your approach to Monitoring and Evaluation. You may also consider collecting qualitative data including stories of change, or quotes from your members or donors etc., that truly capture your impact. Gather this evidence together and use it to promote your work.

One way of successfully promoting your work was seen by the Arab NGO Network for Development (ANND) who framed their hard-to-fund projects around the SDGs. In ANND's case, their work on trade and tax policy was receiving less and less donor interest. To counter that, they decided to present this work within the SDG framework, linking it to the relevant Goals. **Using Agenda 2030 to present the work that you already do can make it more attractive and relevant to donors**, and also highlight the unique value your network is bringing to achieving the SDGs.

Some other areas of unique value that networks bring which emerged during the interviews included:

Networks have convening power that enables collaborative advocacy, sharing learning, and representation of wider civil society. This key added value should be well understood and communicated. Given that CSOs increasingly operate at all levels (international, regional, sub-regional and national), networks have the ability to collate views and evidence from CSOs, NGOs, and INGOs and transmit them effectively, into regional and global debates and policy fora. Networks also enable exchange and learning, can identify best practice

and engage in collective strategizing where individual NGOs cannot. Similarly, individual organisations would struggle to collate the same level of input that a network can offer.

These capacities mean that civil society networks can play an important role in acting as opinion makers, working with governments, international institutions and other relevant actors to push back against the regressive trends that have become evident in recent years. Regional networks in particular can be highlighted for their ability to represent voices when civil space is under threat. For example, the Asia Development Association (ADA) is building links with informal groups representing national causes, in addition to formal national networks. These networks remain informal due to civic space restrictions in their countries, for example in Pakistan, Singapore, Malaysia and Mongolia.

Another example of networks' convening power was seen during the development of the 2030 Agenda and currently in SDG monitoring. Networks are able to convene local pre-meetings and surveys to gather and collate civil society voices from a particular region into a unified message. For example, ADA is able to capture and collate voices throughout Asia working across many languages. Networks, such as Bond, InterAction and VANI, also facilitate national thematic learning and sharing groups, which in turn also feed into donor consultations and learning activities.

LEARNING FROM OTHERS:

Other areas where networks can stand out are outlined below:

Research & Data Experts: some civil society networks have developed a particular niche area of expertise in research and analysis that goes beyond their own members. InterAction have developed a niche as experts in up-to-date, trustworthy data in humanitarian contexts. PIANGO has received funding to deliver research programmes in the Pacific region. REPONGAC is conducting research into closing civil society space across the Central African region. This not only attracts specific funding, but also upskills the organisation as a whole.

Acting as Fund Managers: The researchers found several examples of networks acting as Fund Managers, working with donors to redistribute funds effectively and efficiently. The close relationships and local knowledge that networks hold uniquely positions them to succeed in this role.

▶ PIANGO has received EU funding via the Pacific Forum Secretariat to make sub grants to national and local organisations in the region. The EU is keen to fund national and local organisations but sees that compliance with EU requirements is a huge barrier. They want an intermediary to provide additional resource and capacity building to grant recipients. While PIANGO had not expected to act in this role, they are very well connected to the grass roots level and well placed to perform this role. Now they are considering a deliberate move to expand this role alongside advocacy on behalf of their members, which would continue to be their main focus.

▶ Cooperation Committee for Cambodia (CCC) has established a Civil Society Fund for Cambodia, which aims to promote effective use and management of resources for improved outcomes, greater impact and sustainability of civil society. Any funder wanting to fund NGOs in Cambodia, but not wanting to engage directly can channel funding through CCC, which will manage the tender and award processes on their behalf. The Fund was established in 2018 under an EU-supported project with Bread for the World.

▶ InterAction sub-grants funding from two Foundations who prefer to manage these relationships via InterAction. The Foundations have confidence in InterAction's compliance and management processes and making grants in this way is less time-consuming for the donor, which only has to assess InterAction, rather than multiple smaller grantees.

▶ Forus is acting as a quasi-Fund Manager via a financial and political framework partnership with the European Commission. It provides technical and financial support to regional and national members, mainly for capacity development and advocacy activities, but also for core support. The process is managed through a peer review panel, ensuring that learning and sharing between members is an integral part of the scheme, and mutual accountability, avoiding Forus becoming a "donor" for its members. The main objective of these funds is to produce collective knowledge, foster engagement and encourage members to produce joint initiatives.

Whilst the examples of CCC and PIANGO are clear signs that Southern based networks *can* act as Fund Managers, others still see this as aspirational, rather than an achievable goal at present. There is more work to be done for these networks to change donor policy or local regulations to ensure they are not overlooked for such roles.

The risks involved in Fund Managing should not go unmentioned. Any network considering this role should undertake a thorough risk analysis including financial, compliance and reputational risks. Civil society networks should be confident in their ability and capacity to deliver the outcomes and meet compliance requirements before embarking on Fund Management. The role of "donor" also has the risk of potentially changing the dynamic of relationships between the network and its members, and this risk should be thoroughly assessed.

REFLECTION QUESTIONS

▶ **What do your members most value about you and your work?**

▶ **What makes you stand out to all your stakeholders, including your donors?**
- What do they say about why they fund you?
- What do they ask you to do more of?
- Do you have a geographic or thematic focus that is not addressed by any other organisation, or that you take a unique approach to?

▶ **What evidence do you have of this unique value of your organisation?**

▶ **Do you have a clear theory of change?**

▶ **How could you gather more robust and persuasive evidence? Is there work that you could do to improve your systems for monitoring, evaluation and learning?**

▶ **How could you promote this more, for example through blogs, social media, conferences and publications?**

▶ **Do you need to review your mission and values and rearticulate or reframe why these are relevant and important?**

GOING FURTHER

Financial sustainability is not just about great fundraising skills and knowing your unique selling point. It requires whole organisation readiness at a systems level, including financial forecasting, risk analysis, sound Monitoring, and Evaluation plans. Can you provide all of the monitoring and compliance requirements of your current or potential donors? If not, what do you need to do to make continual progress towards this?

Further support can be found in fundraising strategy guides such as the Civil Society Resource Mobilisation Guide. You will find advice around why having a funding strategy is vital, how to plan, create and implement one as well as ideas for ways to fund your work.

Link to resource (in French): https://www.academia.edu/38957020/OSC_-_Le_d%C3%A9veloppement_dune_strat%C3%A9gie_financi%C3%A8re

Once you have clarity on your mission, vision and unique offers, this equips you to know what funding you might need to turn down. Some funding opportunities may divert you from our core work. Whilst being responsive to funding trends is important, you should also have a clear sense of what is in and what is out of scope for your organisation.

2.2 Understanding the value of your membership

Many members, and many non-members, still don't see the relevance of being part of a platform; this is a vital work in progress for us (…) 10 years ago, members mostly saw us as a way to increase their own income, not as a strategic partner. This is changing now: now we are not a platform who manages resources, but one that focus on the capacity development, advocacy and convening of its membership. - CCONG

Individual CSOs are the lifeblood of any civil society network. When collectively and effectively channelled through a network, CSO members' vast expertise and varied and innovative approaches can dramatically increase impact on social change. Your members' unique sectoral expertise, local relationships with, knowledge of and trust from the local communities which they serve, are some of the many examples of the key value your membership brings to your network's mission.

By creating a unifying voice, and improving your members' capacity, networks are making major contributions to global development, peace, democracy, sustainability and justice.

The value to individual CSOs of belonging to a network can translate into a financial commitment, by either charging a fee for CSOs to join the network and/or receiving direct donations from existing members. Both approaches are explained below. With both approaches, the key for networks is to ensure that the membership receives adequate value in return for fees and for embarking on joint fundraising proposals, and critically that the members understand the value they are receiving.

a · Membership fees

When CSOs themselves are sufficiently well resourced, they are able to pay membership fees to join networks. Such fees are a useful indicator firstly of the financial situation of CSOs in a particular region and also the extent to which the membership values what the network offers them.

Such fees provide an important source of unrestricted income for networks, supporting them to fund their core costs, innovative pilot projects and the core activities of the network, such as membership capacity development, convening and advocacy.

It is important for networks to report back to their membership on how this income is used not only to ensure transparency but to encourage ongoing understanding of the networks' value to its membership. This appreciation is

important to ensure memberships are renewed each year.

"There is an expectation that if NGOs aren't giving themselves (through membership fees), it shows they don't care about [our work]" - InterAction

"Platforms need their members to understand the value in belonging to and partnering with 'something bigger'. This is why fees are vital". - CCONG

However, not all networks are able to generate large amounts of income through membership fees, due to the fragility of their members.

"When civic space is shrinking and funding is scarcer, it is not possible to increase membership fees, because members are suffering too. We need to support them, not ask for more. Equally, at times when our funding is cut, it is not right to ask for more money as we are actually reducing the services we are providing". - Uganda NGO Forum

LEARNING FROM OTHERS:

The question of membership fees is very individual. The examples below, taken from the interviews, illustrate a range of ways networks charge fees:

▶ InterAction charges between $2,100 and $50,000 a year for membership. In recent times, InterAction increased their fees, as much as doubling some price bands. This was a deliberate move to increase the percentage of income from this source. It has been successful but has also led to more variance in this income source each year. Initially the changes led to an increase in income from membership fees from $1m to $1.8m; now this is decreasing again as the INGO sector in the US is experiencing change, often linked to reductions in USAID funding. Some members also fund services from InterAction. For example, a group of Human Rights and Democracy organisations fund a senior position at InterAction to oversee and lead a combined advocacy hub for their work.

▶ Bond membership fees are about one third of the organisational income. Their membership fees are based on: income, distance from London, and for organisations with income higher than £60m, a percentage of unrestricted income. Bond has increased its outreach to attract new members and also to re-engage lapsed members through more consistent and intentional email and telephone follow up. Sometimes the lapsed membership fee was just an administrative oversight. In other cases, this dialogue enables Bond to get feedback on its services and improve them.

▶ Cooperation Committee for Cambodia (CCC) membership fees range from 7 to 15% of budget. Everyone pays 0.225% of their annual budget, to a maximum of $3,000. (There is no minimum fee). CCC explained that the beauty of the platform goes beyond membership fees and instead is focussed on solidarity, shared resources, and collective efforts for bigger impacts and better outcomes.

▶ Forus' fee structure is based on proportion of income and is calculated as 0.1% of the unrestricted part of an organisation's annual budget. As with other networks, the annual membership fee indicates a commitment of each member to Forus. For Forus, it is also a gesture of solidarity and allows them to strengthen the financial independence of their network for the benefit of all. As per Forus' Statutes, each member is required to either pay their membership fee or justify exemption from it to be able to vote in the General Assembly.

▶ CONCORD's approach to membership fees is a voluntary system where each member organisation chooses how much to pay. They are encouraged to be generous, and most are, because the network is perceived to offer added value. If a member proposes an amount that appears to be less than their means, CONCORD will reach out to discuss this with them. This is also an opportunity to explore the relationship more deeply. CONCORD explained that this approach builds solidarity amongst members, so that large organisations support smaller ones. It also allows CONCORD to be flexible and supportive when a member experiences difficult financial times. Each member commits to an amount for a three-year period, which enables CONCORD to plan and budget.

▶ CIVICUS membership fees are optional for organisations with an income smaller than $80,000. The membership fees that they do collect are pooled in a member solidarity fund, which is a member-led fund to offer support to civil society actors in need. Members can nominate others to receive a grant. At present, less than $100,000 is collected annually, which is a small percentage of CIVICUS' income. It has been introduced recently and may continue to grow. This case illustrates that requests for voluntary fees can be effective and showcases an interesting way of using the income to benefit members.

REFLECTION QUESTIONS

▶ **Which of these case studies resonates most with you?**

▶ **Which is most surprising?**

▶ **What is your network's approach to membership fees?**

▶ **Does it feel like the right approach for your organisation? If not, what could you learn from the above examples about how you could introduce a change?**

▶ **Are you using your membership fees as an opportunity to communicate with your members and understand how they engage with your network?**

⊙ GOING FURTHER

If you don't already conduct regular membership surveys, this might be a good opportunity to understand better what your members most value about you and your work. It may not always be what you expect. Google Forms and Survey Monkey are an affordable and accessible way to gather and analyse data. You can also include questions about your current value for money. If members rate you as providing 'very high value for money', they might be willing to pay a higher fee. Even a small increase for such members can make a big difference to your total. Knowing what your members value most about their membership might direct you to increase the focus on this area, which in turn could increase your perceived value further.

b · Members contribution to the collective work

In certain situations, when some individual members of networks have the capacity or strong links with certain donors, they can act as direct contributors to the network, above and beyond their membership fee. An Asian national network is currently looking into how additional voluntary contributions from those members who are in a good financial position could support their network without devaluing those members who cannot voluntarily contribute to the network beyond their membership fees.

Forus' fundraising strategy currently has two main strands, both including support for their members:

▶ **Fundraising for the global strategy**, which is carried by the Secretariat with help from the governance and some of its members, targets global institutional donors and aims at mobilizing funding for all of the components and activities specified in the Forus' Strategy;

▶ **Fundraising for specific initiatives or activities composing the Strategy**, this can be carried in partnership with members - according to their activity in the Action Plan - and targets local/regional donors.

Similarly, **members may be in a position to submit funding proposals on behalf of the network**, perhaps because a specific member has the right legal registration to meet a call's criteria, or because they have a privileged relationship with the donor. The Federation of NGOs in Togo (FONGTO), for example, is currently supported by Plan International's country office in Togo, who is a member of the network, and who submits proposals on FONGTO's behalf.

Similarly, individual NGOs can act as lead applicants for bids, as either the network does not meet the criteria to apply as the lead, or because they are not in a position to take on the administrative burden of leading. A disadvantage of not leading the bid, is that you are in a weaker position to ensure full cost recovery on the contract.

2.3 Cultivate strong relationships with your existing donors

It is often said that your best donors are your existing donors. It is easy to neglect them, as you direct more resources to pursuing new opportunities. However, a deeper engagement, and longer term or more flexible funding - or even core funding - may be a few conversations away, whether your existing donors are government bodies, trusts & foundations, or companies.

a · Create opportunities for more regular contact

Below are two ways networks are creating new opportunities for dialogue and deeper engagement between themselves and their donors which are having positive impacts on their work, including reducing reporting burdens, creating new funding relationships and providing new platforms for regular dialogue and engagement in policy making and a platform to promote advocacy messages.

The Cooperation Committee for Cambodia (CCC) established 6-monthly meetings with their donors and funding partners to share more about their work. This has led to increased dialogue, deeper mutual understanding, and a coming together on reporting requirements. Most of their donors now accept CCC's global reports whilst some of them need a few extra pages of detail directed towards the specific donor's areas of interest which is reducing the reporting burden on the network.

These meetings also led to a co-creation relationship with the EU. After receiving EU funding in the past via intermediaries, CCC has just accessed its first direct grant. Through discussions with the EU, CCC was able to influence the shape of the funding to be more demand-driven, before the grant was agreed. Key to success were the overlapping mutual interests, and transparent discussions about what the EU and CCC needed from each other and from the relationship; including the challenges that CCC faced in compliance. Such conversations cannot be rushed and were possible in this case only because of the time given before the signing of the agreement.

Another example comes from Forus, which has had a longstanding partnership with the French Ministry of Foreign Affairs and with the French Development Agency. This partnership translates into regular dialogue with these two institutions, on topics that vary from protecting civic space to localising aid and human rights-based approaches of development interventions. Forus is also represented in some institutional working groups focusing on these topics.

Similarly, in the framework of its partnership with DG DEVCO and the European Commission, Forus is a member of the Policy Forum on Development and engages regularly (via the Secretariat or via its members) in a political dialogue with the European institutions.

REFLECTION QUESTIONS

▶ Do you engage with any of your donors outside of your formal reporting schedules? Do you talk to them about issues other than funding?

▶ How could you build more of this into your work?

▶ Could you share an interesting new report or case study by email?

▶ Could you contribute your expertise to help donors write new strategy papers? This has worked well with civil society networks supporting the EU to create their Road Maps, for example.

▶ Could you arrange your own regular meetings with donors?

▶ Could you invite donors to see your work in action, at your learning events for example?

▶ Could you attend networking events where your donors will be?

▶ Try seeking ideas from donors about a particular challenge you are facing. Maybe one of their other grant holders is more experienced in this area and they could connect you, or perhaps you will learn that others too are struggling with this and you could establish a learning group.

▶ Could you connect donors that are interested in the same topics and have similar ways of operating?

GOING FURTHER

How would you approach funders differently if you thought they would be interested in co-creation or a more long-term, trust based strategic relationship?

This CONCORD guide gives specific advice about the importance of regular contact and dialogue with EU delegations. This applies both for EU-funding recipients and those who are not yet grant recipients but would like to be. https://concordeurope.org/blog/2019/06/27/eu-delegations-unwrapped-a-practical-guide-for-civil-society-organisations/ The tips for engagement on page 11 could apply to any donor.

b · Maximise your current relationships

There are opportunities to move past Requests for Proposals and form strategic partnerships with donors. A national Latin American network is seeking to strengthen its relationship with USAID as the donor already knows and has funded the network in the past in their key areas of expertise: CSO capacity development, including training their membership in new local tax regulations. USAID has funded the network on a

project-based approach for these activities in the past and they now see an opportunity to work towards a more strategic relationship based on open dialogue and negotiation with the aim of developing a broad framework of activities that will support both partners' strategic goals and be more flexible than traditional project funding.

LEARNING FROM OTHERS

Some donors, particularly private sector donors, may also be able to offer additional financial and in-kind support in new ways, such as the examples below.

▶ Bond has corporate sponsorship models for their conferences and often receives free rooms for training events, for example.

▶ Similarly, some of CCONG's private partners send their staff on the network's training courses which provides training opportunities for the partners' staff and, at the same time, increases exposure for the network. Other private partners provide direct research, logistical or technical in-kind support to CCONG.

▶ SPONG has received support from local banks and insurance companies through sponsorship of their Annual General Meetings and the construction costs for a new conference room. These types of relationships often give the private partners an opportunity to meet a network's membership first hand, or provide branding and PR opportunities to the company whilst off-setting operational costs of the network.

REFLECTION QUESTIONS

▶ **Revisit the list of donors that you made in section 2.**

▶ **Brainstorm how else they might be able to support your mission. Do not place any limits on this question, be as bold and imaginative as possible at this stage.**
- Do they have capital items that they may give you free access to e.g. a room, vehicle, communication tools for outreach, or expensive IT support?
- Do they have expertise that they might offer pro bono? E.g. Marketing skills? Photography? Organizational support? Leadership training?
- Do they have contacts with other potential donors that they would be willing to introduce you to?
- Would they sponsor an event in return for advertising space, for example on posters, programmes and web based promotional materials?

2.4 Avoid single donor dependency

Many of the interviewed civil society networks are dependent on one key donor, most notably the European Union. For one small Eastern European Network, this single donor dependency significantly affected income in 2017, when there was no EU Development Education & Awareness Raising (DEAR) call. A regional African network also faced similar situation after the end of their 5-year EU project in 2017. Their income fell by approximately 60% from 2016 to 2018 as a result. **Others are currently in the final year of funding with no firm strategies in place to replace it when it ends.**

Single donor dependency is not limited to the EU. A national network in East Africa received over 50% of their funding from the Democratic Governance Facility. A shift in the funding modality from strategic to project funding led the national network's income declining by 75% over 4 years. Similarly, a regional African network is currently receiving over 85% of its income from GAVI following a strategic move into maternal and child health. **Ending single donor dependency is still a work in progress for many.**

Establishing funding relationships with additional donors can reduce a network's dependency on a single income stream. Of course, it can also add work to your organisation in terms of reporting to different donors who may have different reporting formats, reporting calendars, and compliance needs. **It is important to assess the total return on investment of adding income streams to ensure the gains outweigh the costs**.

LEARNING FROM OTHERS:

▶ CCIC: The Canadian Council for International Co-operation (CCIC) has gone through the struggles of single donor dependency and come out strong with key lessons learned. CCIC analysed the impact of losing funding from the Canadian International Development Agency (CIDA), its key donor, which was dissolved in 2013, and merged in the Department of Foreign Affairs. CCIC developed afterwards an internal analysis of how they managed and overcame this situation. Their analysis attributes the recovery of CCIC to strong leadership, the ability to balance both dialogue and confrontation between the diverse members of the network, and a strategic approach to rebuilding trust and relationships with the government. By 2016, the association's membership was unified, and had re-established excellent terms with the Canadian government and CIDA, demonstrated by CCIC's collaboration with Global Affairs Canada for its partnership policy with CSOs in 2014.

What would you do if your main donor suddenly shifted its strategies? Are you facing a similar situation?

A key lesson is that all organisations should evaluate their risks and vulnerabilities, including risks to funding that a changed political environment can bring. CCIC's example demonstrates the importance of political awareness and strong relationship building through leadership.

▶ CIVICUS: For CIVICUS, no single donor funds more than 30% of their income. They are making the most of this by taking time to really reflect on their funding mix, whilst they have the flexibility to do so; and their desire is to increase diversity even more by adding some non-grant income. A further strength of their funding is that most of their income is core funding. Their success in securing core funding is, in part, the result of building strong funding relationships over time, enabling them to convert project donors to core donors.

Is this something your organisation can consider doing too: do you have long term project donors who you could talk to about your longer-term objectives, and more flexible funding agreements?

Donor coordination meetings are extremely useful for initiating these types of conversations. CIVICUS started holding a regular donor coordination meeting with two core funders and then gradually invited other donors to join. The goal of their meetings is to enable learning, provide information on how various sources of funding contribute to strategic priorities, and share learning about how best to support civil society actors. Having regular and organised space for exchange of ideas and evidencing the need for their work were the most important aspects of their success.

▶ InterAction is notable for the diversity of its income sources. Membership fees make up about one-third of their income. Annual fees vary from $2,100 to $50,000 per year depending upon the size of organisation. A further 15-20% comes from additional fees for services including training and events. They deliberately keep these fee rates fairly high to ensure that they make a significant net contribution to the organisation. The remaining 50% is raised in grants from about 25 different donors, including Corporate Foundations. Of this grant funding, the largest proportion comes from USAID (about half of grant income). Individual giving is small as a proportion, but in some cases is for significant amounts, for example one individual gives $25,000 a year to fund a WASH Working Group. Their USAID funding originates from five different departments/sections, which adds further diversity to this income stream, since it is not all dependent upon one unit. This means that if one out of the five units stopped funding them, the impact would be lessened. The funding they receive from USAID is built upon the technical expertise InterAction has developed in capturing data about what happens to civilians in war-torn countries.

Their expertise in gathering sophisticated data makes InterAction a valuable partner for USAID both for work on the ground, and also as advocates. InterAction has a number of long-term thematic relationships such as working on mapping with the Bill & Melinda Gates Foundation, and with UPS (a logistics company) on the diversity of the humanitarian sector.

REFLECTION QUESTIONS

▶ **How many donors or income streams do you have?**

▶ **What percentage of your income does your main donor account for?**

▶ **How long will this funding last and when will you be expecting a funding gap? Do you have a tool that allows you to foresee this and plan on how to cover future needs?**

▶ **What other sources have you been thinking about? What would be your next step in securing this funding?**

▶ **Do you have former donors that you have not kept in touch with who may still be a good fit with your programming?**

▶ **Could you activate your network in order to set a meeting to best understand a specific donor priority? For instance, with another partner or member receiving funds from this donor?**

⊙ GOING FURTHER

Consider using the Boston Matrix Tool to analyse these sources further and help you work out where to put the most resource. The Boston Matrix is a tool to help you analyse the return on investment of each of your donors by exploring the effort needed to secure and manage funding, against the value of funding, and whether the value of funding available is increasing or decreasing.

You can find it in this link: https://www.managementcentre.co.uk/the-boston-matrix-in-fundraising/

2.5 Branch Out & Diversify

"Traditional donors are really dying out because their funds are shrinking, and they are doing other things than supporting civil society." SID

A final area to consider is a thoughtful and considered approach to diversifying your funding. This is the most time-consuming element, requiring in-depth research and feasibility testing. It may include donor research; scoping of income generating opportunities; and even scoping of new thematic growth areas. **This is a process that has to be ongoing within your network.** If the idea of a complete mapping sounds overwhelming, you can consult with members to decide on a few strategic priority targets.

LEARNING FROM OTHERS:

▶ CCC is working towards setting up a civil society centre in Cambodia to serve as premises where organisations can share office space, and also access space for functions such as training and conferences. They are also setting up an online M&E application, which will be hosted as a system that members can pay for. **CCC looked for income generating activities that would both serve their members as well as generate income.**

▶ HAND took an interesting approach to developing a funding strategy. In the absence of lots of resources to pay an external consultant, they invited their members to each contribute a fundraising idea. It was very energising, and they received about 15 new ideas. HAND wanted to avoid competing with their members and so **consulted with their members as to which of the ideas they should prioritize, avoiding direct competition**. The answer was fundraising from private companies and as a result they are now exploring this area.

▶ Bond is on an active journey towards **reduced reliance** on DFID's funding. Their first step was to **maximise existing funding sources**. By doing so they have reached the position where DFID funding is now around one-third of their income. Another third of their income is from membership fees, with a further third coming from events and training. This growth in unrestricted income is considered a big success by Bond, and it is enabling the network to make more strategic decisions about their work areas. One area of success is Bond's new Funding for Development Conference, which has grown from 150 delegates in 2017 to 250 in 2019. Bond has also been exploring corporate partnerships, though it's proved difficult to find the right partners. Bond does have corporate sponsorship at their annual conference, but ongoing funding is proving more difficult. It has been useful for small pieces of work, sponsorship of events, and in-kind costs such as access to large meeting rooms. For Bond, the best funding mechanism is the way that you sell your services.

Many networks struggle to set up income generating activities, without the resources to underpin this. For example, HAND indicated that they were inspired by the Slovenian network, hiring out rooms for training and providing training, but since

HAND has no basic infrastructure and even have to hire an external trainer it was hard to make revenues from this.

Not all income generating ventures are successful of course, and this is important to remember. One regional network tried offering a market at regional events where members could sell small items to raise funds for themselves and charged a small stall holder fee. The work involved to manage the logistics was out of proportion to the income, and so this was not continued.

As such, it is important to consider that selling services and creating income generating opportunities are still aspirational goals for many networks. See the reflection questions below to see where your network is on this journey.

REFLECTION QUESTIONS

► **Do you currently have different income generating streams?**

► **How could you innovate your offer to maximise the income from them? Think about every part of your work, each step of the way to explore how you could be more efficient and effective.**

► **What expertise or resources do you have that others (in the voluntary or commercial sector) might pay for?**

► **What would it take to turn this into a saleable product such as a course, e-course, consultancy product, or book, for example?**

► **What are other non-profit organisations doing in your region to generate more funding? How could you translate this to your organisation?**

► **When did you last conduct a donor scoping exercise? Is this something that you need to schedule into your workplan for the next three months?**

► **Does your organisation have systems for regularly reviewing and analysing new opportunities?**

► **Could the Fund Manager role highlighted in point 2.1 be a good opportunity for your organisation?**

► **Remember to include a thorough risk assessment of any new idea, including a cost-benefit analysis (efforts involved versus potential income).**

GOING FURTHER

If you are interested in exploring new financing options, you might find this report by Interaction useful: https://www.interaction.org/documents/innovative-finance-for-development-a-guide-for-international-ngos/

2.6 Turning threats into opportunities

Many networks are negatively affected by closing civic space. It is affecting operations, increasing compliance burdens and curtailing certain income streams.

"There is no country whose space is not shrinking. We need to learn from each other about shrinking space. It is an existential crisis". -VANI

It is important to have strong collective spaces, such as networks, when civic space is under threat as these networks can inform members of rapidly changing circumstances efficiently, create spaces for joint strategizing and reaction, mobilise external solidarity and negotiate with authorities. As VANI states above, networks need to learn from each other about successful ways organisations are adapting to this situation.

Some notes of hope came from networks who highlighted that certain funders are re-directing their funding in response to tightening civic space. For example, donors who traditionally fund human rights groups have started to widen their remit to encompass networks, especially those positioning their work under SDG 16 - Peace, justice and strong institutions. Some networks are finding that tackling the question of civic space and freedom of expression can be well framed within this goal and is helping them refocus their work to meet funders' interests in this area.

"We become more relevant when the external environment becomes harsher". - InterAction.

CIVICUS is an example of an organisation that has always worked on the theme of civic space, and now that it is becoming more of a global issue, is benefitting from the increased flow of funding to this thematic area.

A recent CONCORD study shows that in the EU landscape, the funding for CSOs is going to even bigger programmes and projects. This trend is having an impact on smaller organisations, which do not have the capacity to manage such large grants, and it also implies that the resources available are given to a more limited number of (large) organisations. When any CSO, even the smallest one, shuts down, everybody, not only civil society, loses and democracy is negatively affected. In this context, it is therefore crucial that CSOs work together across sectors, to build coalitions, seek advice from international NGOs and strengthen national platforms.

3 Influencing the fundraising environment

Agenda 2030 is a key framework around which civil society, its partners and donors are uniting to ensure a more prosperous future for all. The Agenda can only be fully realised through a multi-stakeholder approach with national governments, the private sector and civil society all having a seat at the table, creating open dialogues to implement and monitor progress towards the Goals. However, as you have seen above, civil society's involvement in the achievement of the SDGs is increasingly challenged, and a failure to properly fund and support civil society could result in undermining the 2030 Agenda and its transformative potential.

It is essential, therefore, for civil society, its donors and partners to collectively advocate for more balanced donor & civil society relationships, allowing equal opportunities for both groups to voice, discuss and negotiate meaningful changes to the way they work together. Our research backs this up, demonstrating **a need to facilitate spaces where CSOs and NGOs, particularly those in the South, can have a seat at the table with the skills and tools to adequately negotiate with donors. Exploring new framework approaches to the relationships among these two actors is indispensable to fulfil Agenda 2030 and particularly SDG17.** Donors and networks alike should consider their role in making this happen and channel resources to this work.

The networks interviewed were invited to answer the question 'what does your ideal donor look like?'. Their answers provide several indications useful to current and future donors of civil society networks, outlining how their funding could better enable civil society organisations to increase their sustainability, effectiveness and impact.

The key issues identified were:

▶ **Full cost recovery is essential**: non-profit organisations cannot subsidise the work they do. Full cost recovery means ensuring your organisation recovers the full cost of delivering a service or project including a fair share of management and administration, or 'overhead costs'. Some donors call this 'cost transparency', others use the term 'indirect costs'.

▶ As the sector recognises the importance and effectiveness of Adaptive Management, **funding agreements should be flexible too, to enable adaptation of activities leading to deliverables and outcomes, in accordance with changing needs, as well as emerging evidence and learning**. "A number of donors - most notably DFID and USAID - have begun exploring more flexible approaches to grant-making and contracting to facilitate adaptation. They recognise a disconnect between the potential value of adaptive management approaches on the one hand, and some of their processes which emphasise accountability for adherence to pre-determined plans, budgets and targets on the other"[2].

▶ **New funding streams for more innovative and transformative work**. Networks proposals could potentially have game-changing impacts in relation to the implementation of Agenda 2030, in particular where the critically important issue of policy coherence for sustainable development is concerned.

▶ **Core funding** should be provided for at least 3-5 years to enable innovative pieces of work including efforts to increase financial sustainability. Civil society wants a donor who will not only fund them but also embrace their vision, and trust them to deliver in the way that they think is best, based on their knowledge of the current environment.

2 Michael O'Donnell, BOND, 2016 https://www.bond.org.uk/sites/default/files/resource-documents/adaptive_management_-_what_it_means_for_csos_0.pdf

► **Reporting across all donors should be standardised and the flexibility provided to accept grantees' internal reporting formats** to increase efficiencies and value for money. The OEDC has several publications on harmonizing donor practices for effective aid delivery[3].

Forus itself is committed to promoting the successful implementation of Agenda 2030 and has called for **specific changes in donor-grantee relationships to make it easier for CSOs to carry out Agenda 2030 monitoring and implementation activities**. "These changes include the availability of diverse grant windows, simpler procurement and supervision processes, a greater focus on ongoing structural support for CSOs rather than project support, and sufficient provision to cover overheads"[4].

Forus also advocates for creating official spaces for meaningful CSO participation within official regional and international forums, and for the promotion of ideas, tools and resources, to foster civil society participation in Agenda 2030 processes. In order to enable these changes, Forus recognises the need for a coordinated, strategic approach, or 'Global Initiative' for strengthening and investing in civil society to ensure its effective contribution to the successful implementation of the 2030 Agenda.

The **Global Initiative** is a blueprint for the mobilization, self-organization and increased interconnectedness of civil society across all regions of the world and at all levels.

It is comprised of eight pillars, including a pillar dedicated to developing a global strategy to **support civil society in increasing its access to adequate and predictable financial resources**, including core and structural funding, focusing in particular on resources to support the development of essential institutional infrastructure & ecosystems for the sector and to promote the capacity development of civil society globally. **This ambitious change in funding paradigm would allow civil society to experiment and innovate more, and would contribute towards long term transformational outcomes.**

Conclusion

This toolkit outlines and unpacks five recommendations for the financial sustainability of networks, based on interviews with 21 networks and desk research.

In rapidly changing contexts, risk awareness and leadership are extremely important factors for sustainability, along with a clear strategic focus, awareness of the added value of the your organisation, having a well-understood theory of change, and strong Monitoring, Evaluation and Learning systems for evidencing impact. All networks need to have a clear awareness of their own added value and of the value of their membership.

A long-term approach to trust and relationship building is a crucial bedrock for true funding partnerships. You also must be able to cultivate strong relationships with your existing donors, avoid depending on a small number of donors and always consider diversifying your donor base. Finally, our research recommended seeking out the opportunities where you least expect them, such as in response to closing civil society space.

The interviewees also identified some areas of work that civil society networks would need to invest on to ensure better collaboration and learning:

► Continued coordination and capacity building amongst networks linked to advocating and influencing donors and shaping funding environments.

► Additional research should be commissioned to enable a better understanding the current situation facing networks, particularly in the Global South, and to enable such organizations to learn, adapt and survive in changing funding landscapes.

► Networks should work together to better understand, capture evidence, and articulate their value. Demonstrating the impact of the work being done by networks is crucial in this context.

► As new and evolving financing models emerge, such as Development Impact Bonds, multi-donor funds, direct funding to the south, co-creation, community foundations, networks should work together to explore their relevance, strengths, weaknesses and how to access them successfully.

Finally, there is clear evidence that on the funding supply side, long-term, flexible, and less restricted funding modalities are crucial to supporting advocacy, capacity building and a thriving civil society. Forus, its members and partners should continue to advocate to donors about this issue. **Forus is keen receive your feedback regarding the use of this toolkit and the ideas outlined, to** capture learning from ongoing experiences in the route to sustainable funding. Let's keep this conversation going.

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3 Please see http://www.oecd.org/development/effectiveness/34583142.pdf, as well as their report 'Making Donor Co-Operation More Effective' (2016) : http://www.oecd.org/development/effectiveness/34583142.pdf
4 Forus' position paper called "Developing the Capacities of Civil Society for a Successful Implementation of the 2030 Agenda" (2017), available in this link: http://forus-international.org/en/resources/7

Annex:

A.   List of interviewees

1.   ACCION - Asociación Chilena de ONG
2.   ADA - Asia Development Alliance
3.   ANC - Asociación Nacional de Centros (Peru)
4.   ANND - Arab NGO Network for Development
5.   Bond - British Overseas NGOs for Development
6.   CCC - Cooperation Committee for Cambodia
7.   CCONG - Confederación Colombiana de ONG
8.   CIVICUS
9.   CONCORD - Confederation for Cooperation of Relief and Development NGOs
10. Forus
11. GCAP - Global Call to Action against Poverty
12. HAND - Hungarian Association of NGOs for Development and Humanitarian Aid
13. InterAction
14. MESA - Mesa de Articulación de Asociaciones Nacionales y Redes de ONGs de América Latina y el Caribe
15. PIANGO - Pacific Islands Association of NGOs
16. REPAOC - Réseau des Plateformes Nationales d'ONG D'Afrique de l'Ouest et du Centre
17. REPONGAC - Réseau des Plateformes d'ONG d'Afrique Centrale
18. SID - Society for International Development
19. Social Watch
20. SPONG - Secretariat Permanent des ONG (Burkina Faso)
21. UNNGOF - Uganda National NGO Forum
22. VANI - Voluntary Action Network India

B.   List of Acronyms

► CCIC - The Canadian Council for International Co-operation
► CIDA - The Canadian International Development Agency
► CSO - Civil Society Organisation
► DIB - Development Impact Bond
► DFID - Departmental for International Development
► EU - European Union
► INGO - International Non-Governmental Organisation
► NGO - Non-Governmental Organisation

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Forus, previously known as the International Forum of National NGO Platforms (IFP/FIP), is a member-led network of 69 National NGO Platforms and 7 Regional Coalitions from all continents representing over 22,000 NGOs active locally and internationally on development, human rights and environmental issues.

AFD