TRAINING GUIDLINE ON RESOURCE MOBLIZATION

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INTRODUCTION

How can an organization raise the income needed to carry out its mission? Where are the required resources? How do you sustain your organization and work? These are the key questions confronting organizations when they consider how to maintain their work and strengthen organizational sustainability.

One of the most important factors in the work and sustainability of an organization is the availability resources to support its operations in a continuous and self-reliant way. Resource shortage is one of the critical constraints to the work of Ethiopia CSOs. It is not only resources limitations but also the capacity to access and generate necessary resources is an additional problem.

Developing a plan or strategy for resource mobilization can lead to creative efforts in using your own local assets to gain support for your organization. Multiple sources of funding can increase your independence and flexibility to implement programs and reduce dependency on external funding.

A good fundraising idea can often be created when you involve the interest of your community or get local talent involved. People always support an event when they know that local personalities are willing to get behind the project.

Resource mobilization is a continuous process and need to be strategizing, as resource is scarce and donor market is always competitive. Many people misunderstand fundraising and totally relate it with money or material. Others disagree with this and correlate it with believe someone is doing, for whom they are doing and with believe in organizational vision, mission and goal. In fundraising the cause of the organization and any thing that derives from that cause is very vital for fundraising. The fund raiser and fundraising process is founded in what someone believes or not believe. The cause is a milestone for credibility of your belief and for fund raising on the one hand.

CSOs in Ethiopia depending on finance gained from donor partners so it is important to broaden their fund base and ensure accessibility of local and donor funds to increase their competence and realize their goals and objectives. Taking this fact into consideration, CRDA and its partners find it indispensable to think about the future source of fund, be it local and foreign to sustain them and ensure their functioning.

The purpose of this training material is to assist in enhancing knowledge and upgrading the skills of NGOs staff and its partner on how to mobilize resources

from local and donor sources. The contents of the manual are divided into six units as follows:

- **Resource Mobilization/Fundraising Concepts, Rational & Resource Need of CSOs;**
- **Resource Mobilization Preparation, Mapping and Identification;**
- **Resource Mobilization Challenges and Remedies;**
- **Requirements for Effective and Sustained Resource Mobilization;**
- **Techniques and Strategies to Secure Fund from Donors and Local Resources;**
- **Experience on Business Venture of CSOs.**

Each unit has its own objective, brief presentation and various exercises fitted to Ethiopian context for better understanding and to encourage independent adult learning.

Good luck!

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1. FUND RAISING & RESOURCES MOBILIZATION CONCEPTS; RATIONALES AND RESOURCE NEED OF CSOs

Learning objectives

After completing this module participant should be able to:

- Explain the difference and relationships between fundraising and resources mobilization;
- Create understanding about the basic rationales for providing resources to CSOs;
- Identify basic resources needs and factors influencing resources mobilization of CSOs.

1.1. Fundraising and Resources Mobilization Concepts

Activity 1.1

Plenary discussion among neighboring three participants: on the difference and similarities between fundraising and resource mobilization.

Fundraising for CSO is an organized activity or an instance of soliciting money or pledges' with the aim of involving in activities that create meaningful impacts that ultimately benefits society. It is the art of getting people to give you money that you want, when you want it, for an identified chartable purpose. Fundraising is also a management process of identifying those people who share the same values as your organization and building relationships with them.

Resources mobilization is a broader concept that involves the act of soliciting support in the form of cash, material and human resources from diverse sources in a continuous way or periodically. This term is used to be more comprehensive than the usual "fundraising". Fundraising suggests that someone else has funds – and approaches need to be devised to access their funds. Resource mobilization includes two other concepts; first, that non-financial resources are also important;

and second, that certain resources can be generated by the organization rather than accessed from other sources.

In resources mobilization, it is assumed that any kind of available resources could either be directly used by the recipient CSO for its purposes or exchanged for what the CSO wants. Resources mobilization is inclusive of fundraising. While fundraising has its own advantages, the mobilization of non-financial resources also has a number of benefits including generating social support and civic strengthening, space creation for CSOs by accessing influential people, enhancing public awareness of the work of CSOs, increasing organizational credibility and expanding opportunities for networking and partnership building.

Fund raising is the process of soliciting and gathering money or other gifts in-kind, by requesting donations from individuals, businesses, charitable foundations, or governmental agencies etc..

Many non-profit organizations receive some annual funding from a financial endowment, which is a sum of money that is invested to generate an annual return. Although endowments may be created when a sizable gift is received from an individual or family, often as directed in a will upon the death of a family member, they more typically are the result of many gifts over time from a variety of sources. Non-profit organizations also fundraise through competing for grant funding. Grant (money) is offered by Government and Charitable Trusts to non-profit organizations for the benefit of all parties to the transaction.

A capital campaign is when fundraising is conducted to raise major sums for a building or endowment, and generally keep such funds separate from operating funds. These campaigns encourage donors to give more than they would normally give and tap donors, especially corporations and foundations who would not otherwise give. Special events are another method of raising funds. These range from formal dinners to benefit concerts to walkathons. Events are used to increase visibility and support for an organization as well as raising funds.

While fundraising often involves the donation of money as an out-right gift, money may also be generated by selling a product of some kind, also known as product fundraising. When goods are donated to an organization rather than cash, this is called an in-kind gift. A number of charities and non-profit organizations are increasingly using the internet as a means to raise funds; this practice is referred to as online fundraising..

Some of the most substantial fundraising efforts in the United States are conducted by colleges and universities. Commonly the fundraising, or 'development' program, makes a distinction between annual fund appeals and major campaigns.

1.2. The Rationale for Providing Resources to CSOs

The rationale/reason for providing resource may differ from society to society and culture to culture, however some of the common possible reasons could include the following:

- Taking it as a duty (as spiritual, social, moral etc responsibility);
- Commonality of cause (vision);
- Persuasive capacity of the CSO: Some CSOs are very attractive and persuasive in promoting and selling themselves;
- Doing worthwhile work: willing to support CSOs that they think are doing good work that is needed by communities;
- Honesty and accountability levels;
- Performance and effectiveness (based on result);
- Focus on particular interests;
- Potential benefit (business enterprises, government etc) may see a potential advantage for them;
- Urgency/emergency: this could be during war, flood, earthquakes, drought and other widespread dangers that could cause human tragedy if not averted;
- Rescuing an CSO: Crisis situation that puts an organization in a position of collapse;
- Being asked to support;
- Promotional cause;
- Investing for future generations: People want to see a better future for their children and humanity at large;
- Paying back for what has been done for them.

Activity 1.2

Exercise/Plenary discussion: among the above rationales, select which are possibly fits as the best reasons for resource mobilization to your organization context.

1.3 Identifying Resources Needs of CSOs

Governments have defined sources of resources for which they have legal basis to access or even enforce when required. Governments could collect taxes; obtain

grant; access loans; and own property without much restriction. Business organizations could also borrow money, sale shares, survive on profits and other mechanism that the law permits them to do.

CSOs require resources for their all institutional and programmatic operations just like any other development organizations. In the case of Ethiopian CSOs, their opportunity for obtaining resources is limited compared to the public and private sectors. Opportunities for borrowing from banks and other sources and engaging in income generation and profit-making activities unlike the government and the private sector are known only recently and have yet to be exercised in Ethiopia. Both the government and the corporate sector could have permanent and more reliable sources of funds in the forms of budgets while CSOs on the other hand have to struggle to continue to exist and work on their capacity to raise fund and mobilize other resources from different sources in a challenging environment.

Types of resources needed by CSOs

The resource needs of CSOs are diverse. Broadly speaking, they can be classified into financial and non-financial resources. While the type of resources needed by each CSO may not be the same, the following are generally the most known resources that CSOs may require for their work and for running themselves.

Financial resources

Financial resources are cash money made available to CSOs in the form of grants, loans or other means that could be used by the organization to buy goods and services it requires for its own operation and implement its program/project activities.

Goods/commodities in kind

This includes materials, equipment, facilities such as buildings, land, vehicles, computers, printers, photocopiers, projectors, office furniture, food items, etc. The provisions could be temporary or permanent, new or old depending on the type and nature. Some organizations may be willing to give goods or services rather than cash due to several reasons. CSOs should identify such organizations and benefit from such resources provisions.

Human resources development

There are organizations that are willing to develop the human resources of a local CSO through providing training. The training could be through sending their own

skilled trainers to the CSO or by paying for the CSO staff to undergo training elsewhere. These are opportunities for enhancing the capacity of the CSO and also motivating its personnel using resources which were not otherwise available from its own sources.

Provision of professional personnel

Other important form of obtaining resources support for indigenous CSOs is to get critical seconded professional personnel from supporting organizations. As one of the most challenging problem of young local organizations is the lack of resources capacity to attract and retain critical personnel, obtaining support in this aspect is extremely useful. Having competent personnel thorough secondment enables the organizations to

- Develop good proposals that can be funded;
- Implement programs effectively;
- Establish reliable and acceptable operational guidelines and procedures;
- Producing better reports; and;
- Buy time until it develops the capacity to pay the salary of all necessary professional staff from its own sources.

Obtaining qualified seconded professional personnel by itself also adds to the capacity of the organization to generate additional resources.

Volunteerism

There are many types of tasks that can be performed by people who have little or no skill but the willingness to serve. There are also people who are skilled and wish to provide free services if they are invited and time is conveniently arranged for them. Often there is a tendency to undervalue free time and skills availed by volunteers. Organizations have to develop the capacity to identify people who are willing to give their time/skill free of charge. It is important to convince volunteers that the CSO needs their support because it cannot afford to pay for such services. While there could be a number of people who can provide their time and skill freely in Ethiopia the culture of voluntarism has not been properly studied, developed and tapped. This is an area where CSOs need to do more exploration. Especially in a poor society like Ethiopia, most people may opt for giving their time/skills rather than direct cash they may not afford.

Attracting Champions

People who have good and big reputations and authority can easily champion the cause of an organization. They can be instrumental in raising resources and

support. Celebrities could speak for your organization and could easily be listened to. They can lift the image of the CSOs promote its causes as well as enhance its resources capacity. This is a recently emerging phenomenon in Ethiopia where NGOs and other organizations have started using celebrities & others to champion their cause. This is particularly seen in using athletes and artists and the former national President of Ethiopia mainly in the area of AIDS prevention and control.

Participation in public policy forums

If CSOs are able to have access to policy debates where they get opportunities to influence policy decisions they may create avenues for generating resources for their work. If CSOs could be involved in places and case where important decisions are made at different levels such as federal, regional, and woreda levels, they may influence decisions and policies related to access to resources for their organization to undertake development work.

Access to free service and other provisions for CSOs

In Ethiopia and other countries there are services and other provisions to which CSOs are entitled to but do not fully or easily access. Such services as tax exemptions, collaboration from public organizations, access to media, and also access to land and other property are important resources that CSOs could make use of to the maximum possible while still pushing for their expanded uses and also additional provisions.

Tapping on others' experiences

Identifying, adapting/adopting the experiences of other organizations could also be a resource that could be accessed. The experiences could take the forms of operational systems and procedures, models, structures, manuals etc. The experiences could be obtained through exposure visits to the organization providing the experiences, inviting people who could share the experiences, taking whatever is available as a gift or borrowing. The use of tested experiences could be cost and time saving for the benefiting organization (This manual also provides concert experiences of other countries on Unit-6).

Activity 1.3 (individual/group exercise)
  a) List the types of resources that your organization requires for its activities: _____
  b) Identify the types of resources that your organization has been able to access so far: _____
  c) List the possible sources of resources for your organization_

1.4 Factors that Influence the Resource Needs of CSOs

The amount and type of resources that CSOs need depend on a number of factors. The factors could be both internal and external to the organization. Some of the most important factors include the following:

The nature of the intervention

Some programs/projects or activities require more financial and other inputs. Physical infrastructure development projects generally require expensive materials, equipment, technology and other inputs that even involve imported goods and services in certain instances. Such activities that are capital and technology intensive could easily drain resources. On the other hand, some interventions may require locally available human and other inputs that are not so scarce and relatively easier to find. Therefore, the amount and form of resources a CSO needs is influenced by what it wants to engage in.

In the new legal context in Ethiopia, CSO that want to engage in right's related interventions are required to raise at least 90% of their funds from local sources. Which means the **type of intervention also influences the sources of resources**.

How the CSO decides to undertake its work

In order to save cost and also for other reasons, some CSOs prefer to undertake their projects in partnership with other organizations in a manner that helps them to reduce expenses. Some CSOs want to go it alone. The programs/projects could be jointly funded with another CSO, government agency, private sector organization, community-based organization etc. Such an approach reduces the amount of resources needed by the CSOs. Such practices as joint undertakings or working through partnership have started to bee seen but not yet well developed in Ethiopia. Its potential for reducing resources burdens on individual CSOs is however is very high.

Length of program/project life

In most instances the longer the life of project activities the more resources they require. Short-lived projects could also be expensive if they are resource intensive but projects that have long life span often call for continued resources channeling. While it may be unavoidable to reduce the life of projects simply on account of

resources in CSO may need to carefully consider the resources implications of the life of projects.

Size of beneficiaries

The coverage of a CSO in terms of the number of beneficiaries may also be a factor that affects the amount of resources needed by an CSO. While not always true, in most cases and increase in the number of beneficiaries involves a rise in the amount of resources required.

Program/project area economic capacity

The economic capacity of beneficiaries also influences the quantity of resources that an CSO requires to run a project. If the beneficiaries have a weak economic base the amount of resources the CSO needs to improve their life could be very high. On the other hand, if the locality is economically better of it could easily be uplifted with little external input.

Project location

Remote areas that are difficult to access incur high transportation costs and long staff time that many indigenous CSOs in Ethiopia cannot afford. Most local CSOs are deterred from serving needy communities in peripheral parts of Ethiopia on this account. Even International CSOs that have better resources capacity have to spend a substantial amount of their resources on logistics and other location imposed costs.

Resource efficiency factor

The operational modalities, the structure, system and resources utilization efficiency of CSOs also impacts on the amount of resources they need. Some CSOs have high rate of overhead costs. They consume a relatively higher amount of money to run themselves and their work. They also maintain cost centers that drain resources without any equivalent benefit. The way they execute their operations may not be cost-effective. On the other hand cost conscious organizations strive to create impact with less input and maintain only absolutely necessary expenses thereby reducing their costs.

Sustainability requirements

Some interventions could easily be taken up by local communities or other agencies and may continue to provide services to beneficiaries with little resource inputs. Other kinds of undertakings may require substantial resources to keep

them running and expanding. In the case of the later, the role of the CSO in continuing to support the project may be needed for a longer time to ensure its sustainability. For CSOs to determine their resources requirements to be involved in any initiative it is necessary to examine the above and other factors to know the extent to which they affect them.

Activity 1.4 (Individual/group exercise)
a) Identify the resources that your organization needs now but does not have them _____
b) List separately the resources that your organization doesn't have now but are locally available. _____
c) Indicate where these resources could be found? _____
d) What factors are more influential for your effective resource mobilization? _____

2. RESOURCE MOBILIZATION PREPARATION, MAPPING AND IDENTIFICATION

2.1 Preparatory Steps for Assessing Local Resources

- **Identify and prioritize your program's resource needs.** To identify what will help your organization better fulfill its mission and succeed in project implementation, collect information from various sources, including organizational and program documents, staff, and clients.
- **Conduct a local resource assessment.** Many local sources of support are probably commonly known or can be easily identified by you, members of your staff, or members of the local community. As you collect this information, organize it in a way that will help you match what you find with what you need.
- **Develop simple profiles of potential sources of support.** On a piece of paper or a card, compile the following information for each potential source: name of organization or individual, key contacts, types of resources offered, priorities and what is required in exchange for the resources, and the cost to your program in meeting the exchange requirements.
- **Match appropriate resources with your organization or program needs.** Weigh the costs and benefits of resources against your mission. The selection of appropriate resources should be based on need and efficiency.

PRACTICAL TIPS FOR MOBILIZING RESOURCES	
THINK BEYOND MONEY	Find ways to use every available resource required for the program. Don't assume additional financial resources are always needed—get past the response "We don't have the money to do that." This is often used as a substitute for creative thinking.
GET PEOPLE TO CONNECT WITH THE WORK BEING DONE	Conduct site visits with potential stakeholders to encourage them to invest resources. Share the goals, objectives, and status of the program with stakeholders and the community.
BE COST-EFFECTIVE	Look for ways to keep costs low and limit administrative costs to make resources go further. Capture resources that complement what you are already doing. Only accept resources that add more value than they cost.
BUILD LOCAL SKILLS	Implement cost-effective training programs. For example, in "cascade training," previously trained volunteers provide training to other volunteers, who train still more volunteers.
KEEP RECORDS	Document your experience to help others access mobilized resources and to encourage additional contributions. Quantify cash and in-kind contributions from different sources to demonstrate your increased sustainability.
STAY IN LINE WITH YOUR MISSION	Seek resources that further your organization's mission and goals, support long-term activities, and extend the reach of your activities.
DIVERSIFY YOUR SOURCES OF SUPPORT	You will be less vulnerable if you have many sources of support, so that if one source is discontinued, you have others to fall back on(see unit-6 for further experience and skill).

Developing Approach for Mobilizing Resources: When you have assessed your local resources and are working to increase community awareness of your services, you can decide which strategies to use to mobilize local resources, which include:

- Gaining the commitment of influential local individuals and groups;
- Securing resources from local governments;
- Obtaining resources from business;
- Mobilizing private-sector resources;
- Mobilizing resource by generating income; and
- Charging members and client fees to those who can afford to pay.

Before you begin to mobilize resources, you should be sure that you have the staff needed to plan, implement, monitor, and evaluate this effort. If you do not, your organization may need to train current staff, hire additional staff, or find partner organizations whose areas of expertise complement your own. No matter what the circumstances of your local community are, if it values the work you are doing, it will find ways to support you.

2.2 Assessing the Legal Situation

Fundraising requires knowledge of the country's current situation, including legal and tax structures, as well as what kind of fundraising activity could succeed in your unique environment, for example:
- The legal situation in your country may allow or restrict certain types of activities for your type of organization. Be familiar with any special permission that is required for your fundraising activities;
- Tax consequences may affect how your organization reports the income and should be a consideration for selecting the appropriate activity;
- Tax relief for individual or corporate donations may be an incentive for giving
- Successful fundraising efforts of other civil society organizations (CSOs) may be replicated. On the other hand, creating innovative and fresh ideas may also inspire people to contribute;
- Building on local cultural and religious practices and traditions may help to attract a certain audience.

CSO legislations and Taxation Issues in Ethiopia

Laws governing NGOs vary from country to country. Some countries allow tax-exempt organizations to own for-profit enterprises. Other countries require that the for-profit enterprise be directly related to the principle work of the NGO; And in many developing countries, laws concerning commercial earnings of NGOs may be unclear. Before starting any business venture, NGOs must first be clear about the legal ramifications of the business on their tax-exempt status.

Cost allocation is another issue. The for-profit activities of an NGO will share overhead and other costs with its nonprofit activities. It is in the best interest of the NGO to allocate as much of these costs to its for-profit activities, so as to reduce the for-profits tax liability. But allocating costs to the for-profit operations

however justified and in compliance with the law, may invite the unwanted scrutiny of tax authorities. In addition, when an NGO undertakes for-profit ventures, the financial records of the entire organization may be subject to public disclosure laws pertaining to business entities.

Activity 2.1 (group exercise)

Pros and cons of the Ethiopian Charity & Society legislation and other profit-tax related policies for resource mobilization of Ethiopian CSOs?

2.3 Mapping your Community's Assets

Each community has a unique set of assets upon which to build its future. The first step in a fundraising strategy is to identify and inventory the range of financial and non-financial resources of the individuals, community (including NGOs, groups, and associations), and local institutions (including local government agencies). Non-financial resources include skills, talents (such as handicrafts), and capacities.

Mapping can help your organization consider alternate and efficient resources for your proposed project. By being aware of your community members' skills, you may be able to use a local resident to deliver services or training, rather than hiring an external consultant. Focusing on the community's assets could help to localize your fundraising and engage the local citizens to invest in their own future and create a sense of hope and control. Knowing one another's assets could also help to build relationships among local residents, associations, and institutions.

Volunteers as Resources: volunteers can provide great resources and benefits to your organization. Volunteering is generally done by choice, without monetary reward (apart from expenses), and benefits the community. To recruit and keep your volunteers, you need to recognize the motivations and expectations of a volunteer. People give their time because they get something out of the service they provide. For example, a young person may gain skills or experience to apply for future opportunities. Volunteers can be retirees, technical experts, young people, or student interns. Regardless of who they are and what skills they bring, you may want to think systematically about managing volunteers to get the most of this valuable human resource. Some steps are:

- Identify tasks that need to get done, outline a job description, duration of the volunteer service, and profile or skills required.

- Depending on your needs, recruit volunteers from places such as local schools or universities or inquire about foreign volunteer programs for placement of volunteers in your CSO. Mapping your community's assets may help you to identify local residents with specific skills and capacities.
- Ensure quality of the work by interviewing, selecting, and hiring the person with the appropriate qualifications. Managing volunteers can be as time consuming as managing staff.
- Retain volunteers by supervising them and providing support and mentorship as required. Volunteers usually desire opportunities that are meaningful and can fulfill their own needs (such as skills development, social environment, networks, learning).
- Recognize and acknowledge the volunteer in staff meetings and in public (in a newsletter or public event). Appreciation goes a long way.
- Keep track of volunteer hours and record this in your reports to funders and other stakeholders. This is a demonstration of in-kind support.

2.4 Leadership Responsibilities

Good governance is about participation, efficiency, effectiveness, transparency and accountability in the decision making process. Therefore, CSOs governance (board and management members) is the most important instruments for constituency building and resource mobilization within CSOs. But good governance is about more than just getting the job done. Especially in the voluntary sector, where values typically play an important role in determining both organizational purpose and style of operation, process is as important as product. Accountable governance becomes more than only a means to organizational effectiveness and becomes an end in itself.

Various findings indicate credibility and public image of NGOs is questioned and less trusted by government institutions. Similarly, the issues of accountability, community participation, service delivery effectiveness, ethical standards etc. were also identified by external stakeholders as problem areas of Ethiopian NGO governance (CRDA, 2007 "Assessment of Good Governance Practices").

Goverance of CSOs, fiscally encourage CSOs to develop economic foundations for self-sustainability with autonomy, where requirements for public accountability and transparency are no more arduous than demanded of corporate entities and the state itself.

A strong governance structure, such as a board of directors, is important to have in place to lead the organization in resource mobilization efforts. Funders may ask about the governance structure and composition (for example, age & gender breakdown or community member involvement) and board members' names and affiliations. The Board of Directors typically consists of volunteers with specific

skills, knowledge, and experience. In many cases, they will be the body that is responsible and accountable to funders for the governance and finances of the organization.

Example of leadership responsibilities: Consider including resource mobilization as one of the responsibilities for board members. Some examples of what a board member could do to help mobilize resources are:
- Cultivate potential supporters;
- Speak on behalf of the organization and issues;
- Strategize with staff on fundraising;
- Recruit volunteers;
- Donate to the organization.

Activity 2.2 (Group work)

a) Looking at your own personal and organizational experiences, what motivates people to support CSOs? ____
b) What do you think are some of the factors that hinder people from   helping CSOs? _____
c) Discuss and state what should be done by CSOs to influence people that don't want to support CSOs._____
d) Who raise fund in your NGOs? Is there fundraising strategy and resource mapping in your NGOs, explain?

_____

3. RESOURCES MOBILIZATION CHALLENGES AND REMEDIES

Learning Objective

After completing this module participants will be able to:

- Understand the general challenges and remedies of CSOs in fundraising;
- Understand and examine challenges, opportunities and possible solutions on resources mobilization for indigenous CSOs in Ethiopia;

3.1 The Funding Challenge Facing NGO Managers

NGOs increasingly find that grants and donations are inadequate to meet current program needs, much less to expand program activities. Furthermore, as populations grow, so do the numbers of vulnerable groups needing assistance from NGOs. New problems can appear, such as HIV/AIDS, which demand urgent attention and require substantial funding.

Meanwhile, NGOs face rising costs for staff and other program inputs, further straining their limited budgets. Dependence on grants and donations can also inhibit the autonomy of NGOs to choose which program activities to undertake and to select the most effective intervention strategies to achieve program goals. To a certain extent, all donors have their own agenda, i.e., their own views as to which problems are important and the best intervention strategies to address these problems. NGO managers may be compelled to follow the money and allow donors to dictate the scope and direction of their activities, or else receive no funds at all.

As the old saying goes, "beggars can't be choosers". Another problem is that many grants and donations carry restrictions on the types of expenses that they may cover. The most common restriction is to cover only direct program costs, but not the cost of support services or other overhead costs incurred by the NGO. The NGOs must contribute, these costs on their own, or at least cover an increasing share of these costs over time, **but how?**

The uncertain continuity of donor funding, be it short term or long term, makes it extremely difficult for NGO managers to plan and implement their organization core activities. It also may force an NGO to live a **project to-project existence**,

being unable to make long term plans to expand core activities or to improve the quality of program services.

The challenge facing NGO managers is to find ways to increase their financial security **without sacrificing the mission of their organizations.** There is no standard, proven method to meet this challenge. All NGOs are different in terms of their missions, philosophies, client bases, skills and experience. But increasing financial security is an important part of planning for all NGOs. It is up to each NGO and its managers to consider all the funding options available and to choose the most appropriate mix, just as they must determine which core activities and implementation strategies are most appropriate to their mission and goals.

> **Activity 3.1**
>> **Plenary discussion:** How far Ethiopian NGOs keep their mission, vision and values during resource mobilization?

3.2 Remedies and Experiences for Funding Challenges

The funding challenge described earlier is already well understood by most NGOs, and many have responded with the same entrepreneurial spirit, good planning and hard work that brought them success in their core activities.

They have expanded fund-raising activities directed at the general public, tapped new corporate donors for monetary and in-kind support, and held one-time events such as the LIVE/AIDS concert. They have redesigned program implementation strategies to include cost-recovery components whereby the beneficiaries of the program pay part, and sometimes all, program costs. And today we even see NGOs owning and managing restaurants, tour companies, banks, clinics and other businesses. Consider the case of museums. A generation ago, most covered their costs through wealthy patrons, civic grants, and minimal admission fees. Now, museums commonly have restaurants to feed their visitors, operate shops that sell reproductions of their unique artworks along with other products that appeal to the tastes of museum goers, and rent out their exhibition halls for private receptions and events. Likewise, Goodwill and Oxfam have long operated retail stores to subsidize their development activities, and T-shirts and other promotional items sold through shops, catalogs and the internet are net sources of cash for CARE, Save the Children, and the World Wide Fund for Nature and many other NGOs. Cards and calendars from UNICEF are popular worldwide, while the UN also operates shops at its major offices, implements programs in partnership with

private companies to offset costs, and seeks donations outside its traditional source of payments by governments.

Large, broadly based NGOs are generally better equipped to diversify their funding sources than smaller NGOs. They can take advantage of their recognizable name and logo. They have more technical skills on which to build commercial activities. They have more contacts and connections with outside groups with which to form partnerships. And internally they have more experience adopting new programs and adapting to organizational change. These NGOs also often have a greater need to seek outside funding because of their higher costs for support services and overhead.

On the other hand, smaller NGOs have the advantage that relatively small amounts of self-generated funds can make a big difference in ensuring their financial viability. For example, Green Line, a small environmental NGO in Slovakia, covers approximately three-fourths of its operating budget through membership fees, training charges, and the sale of books, games and promotional items. Among outside supporters of NGOs there is the beginning of a movement to help NGOs become more financially secure, but much more needs to be done. National and local governments increasingly are providing program grants for NGOs to undertake activities that the governments support but can't provide as effectively by themselves.

Moreover, in some countries governments have begun **changing tax laws and other regulations that restrict the ability of non-profit organizations to charge fees or engage in profit-making ventures**. The large international donor agencies have long encouraged NGOs to become self-reliant, while only recently starting to fund projects that **include commercial components**. But many donors still have restrictive rules and political or philosophical concerns about financing business ventures, and none have major programs directed specifically at empowering NGOs through profit-making enterprises. Smaller donor agencies such as German Agro Action, Enterprise Works Worldwide, the Roberts Enterprise Development Fund, NESsT, the Aspen Institute and other private foundations have been more active in helping individual NGOs establish businesses, and in trying to upgrade the commercial skills of the NGO community as a whole. Unfortunately, these efforts are still small and largely uncoordinated.

> **Activity 3.2**
>
> **Plenary discussion:** sharing experiences on some of Ethiopian NGOs funded for commercial purpose/assisting for their sustainable income generation mechanisms?

3.3 Resource Mobilization Challenge in Ethiopia

Resources mobilization for CSOs in Ethiopia particularly from domestic sources is very difficult. Some of the associated challenges are mentioned above. The sources of the problem are diverse and some peculiar issues are briefly discussed as follows:

Legal and fiscal: While on the one hand legal and other circumstances are compelling Ethiopian CSOs to get out of heavy reliance on external donors, on the other hand, the legal and fiscal environment in the country is not yet fully supportive of domestic resource mobilization. Though the new proclamation gives space for CSO to engage in income generation (article 103), it comes with its own limitation such as confining the CSOs to mission-related business activities (income generation) and the need to request for permission when raising funds.

Cultural: In spite of widespread poverty, it is very encouraging to see that there is a tradition-rooted culture of giving by the Ethiopian society to those who need help. People give in cash, in kind and other forms of assistance individually and collectively in urban and rural settings across all cultures in the country. People give in churches and mosques, in the street, in different occasions and wherever asked. Some of the problems associated with the way people give is that institutional giving and selective giving to those who really need and deserve assistance has yet to develop.

Economic: Ethiopia being one of the poorest nations in the world, it may be difficult to raise sufficient amount of resources to match the level of needs and fight poverty adequately. Worse of all is that the country is often hard hit by natural and man-made disasters that repeatedly expose its people to economic hardships and social problems. The recurrent, drought, sporadic conflicts, floods and internal displacement, the current high level of inflation and high unemployment rate as well as the spread of AIDS and other factors have resulted in economic difficulty that impacted on the capacity of people to give and at the same time increasing the number of people that need assistance.

Perceptual: CSOs are perceived as rich organizations by ordinary people, the business sector and even government. This kind of perception though gradually declining holds true for both indigenous and international CSOs. Though thousands of traditional community organizations have been operating since time immemorial, NGOs in their modern sense are relatively new in Ethiopia. Most local NGOs emerged post 1991. International NGOs initially came to Ethiopia in

significant numbers for relief and emergency purposes several decades ago. When they came, they came with plenty of resources such as food items, vehicles, money etc. the salaries they paid was handsome compared to the poor and stagnant salary paid to the civil service at the time of their coming. These were the circumstances that shaped the perception of people about CSOs. The unfortunate thing is that both international and indigenous NGOs are perceived similarly as being rich. This in itself is now acting as a hindrance to the amount of resources that CSOs could raise from domestic sources. The good thing about it is that this perception is now slowly changing but still there is a need to deliberately work towards changing this perception to a more favorable one as quickly as possible.

Capacity: Even if there are some possibilities of resources mobilization for CSOs in Ethiopia most CSOs lack the capacity to do effective financial and non-financial resources mobilization. In-house skills on resources mapping, using the right and necessary skills is a challenge to many of them. Even writing sound proposals that can attract resources is a steep exercise for the young inexperienced indigenous organizations. The relatively longer reliance on external donations might have created the tendency of neglecting internal potentials as well as building their capacity to raise resources. This problem is now being recognized. However, building resources mobilizations capacity still calls for additional efforts on the part of the CSOs themselves and those who want them to build self-reliance on their resources base.

Donor policy/practice: One would like to believe that donors to Ethiopian CSOs want the CSOs to become independent and sustainable organizations in terms of resources and operations. Such ideas have been repeatedly stated by various donors. However, there are difficulties in practice. Very few donors have initiated or supported financing for self-reliance. The support is often project-based, very specific, and often short-lived with little or no flexibility to allow the recipient CSOs to use the resources for organizational sustainability and long-term development work. Most Ethiopian CSOs are threatened from getting out of operation due to inability to cover their overhead costs while they still have program funds because of donor policy and the weak capacity of Ethiopian NGOs to bargain for assistance that leads to self reliance. Donors don't often give funds for investment, don't allow to build reserve fund and they also disallow project saving even if required deliverables are met according to standards. These are challenges that prevent local organizations from moving towards at least partial self-reliance.

Lack of Coordinated/balanced System of Funding
In Ethiopia there are no any certification mechanisms that regulate the work of CSOs in their performance. Similarly the opportunity to get fund mostly relied by

their communication without examining and comparing the larger picture of various CSOs operating in Ethiopia. Mostly bigger NGOs and networks are privileged by donors than smaller ones due to various positive and negative premises. As a result some NGOs are not able to manage their fund properly and others have scarcity of resources.

Activity 3.3 (group work)
1) Identify the challenges of Charities and Societies facing now in mobilizing resources in Ethiopia?
2) What opportunities exist for mobilizing local resource (policies, community assets etc) in Ethiopian context?
3) How can your efforts of fundraising supported by your stakeholders/partners?
4) Funding opportunity for bigger Vs smaller NGOs in Ethiopia.

4. REQUIRMENTS AND STRATEGIES FOR EFFECTIVE AND SUSTAINED RESOURCES MOBILIZATION

Learning Objective

After completing this module participants will be able to:
- Identify skills required for fund raising;
- Recognize useful experiences and qualities for better fundraising
- Apply some of the skills and experiences for fund raising activities
- Know what is required from an CSO to mobilize resources effectively;
- Identify important elements that your organization needs to mobilize resources in a

4.1 Skills and Experiences Required for Fundraising

Skills and attitudes needed for effective fundraising: - Patience, Boldness, Good communications skills, Networking, Setting goals, Thinking outside the box, Good public relations, Good knowledge and understanding of donor criteria, Good listening skills, Good presentation, Perseverance, Diversified fundraising, Courage, Determination, Staying informed on current issues, Being strategic and conducting research, Being persistence, Mastering the power to persuasion and Prove credibility (Personal and organizational).

Activity 4.1 (individual/group work)

a) Which of the above listed skills, qualities and experiences are currently present and being used in your organizations?_____
b) If there are ones that you have not used so far, which of them do you think could be useful for future fund raining for your organization? _____
c) Please list additional skills and qualities that could be used for fund raining that have not been identified above: _____

4.2 Prerequisites and Strategies for Effective Fundraising

Successful fundraising/resources mobilization requires meeting donor expectations and having good strategies. It is often those organizations that have the necessary preparedness, capacity and skills that become effective in fundraising/resources mobilization in sustained ways. There are various elements required for effective resources mobilization from both domestic and external sources.

Having Clear Strategies

CSO need carefully designed strategies for fund raising/resources mobilization. The strategies are needed to have a good focus, to ensure synergy, maximize returns, to manage risks and maintain sustained resources generation. The key stages in developing strategies are:

- Clarifying organizational goals for the next 3-5 years
- Determine resources needs
- Undertake internal and external analysis
- Generating ideas (involving partners)
- Selecting portfolio (generating options, matching goals and resources needs)
- Planning and resourcing, and
- Monitoring and evaluation.

In addition to having strategies, CSO need to fulfill basic expectations from those who could support for successful fund raising. Some of the important elements in this regard include the following.

People and organizations want to know where and organization is heading for and its likely success before they decide to give. Organizations with strategic plans that are clear and easily understood attract the attention of those who want to support. Additional requirements for effective and sustainable resource mobilization are:

a) Believing in what you do

Being successful fund raiser requires that CSO leaders and staff convince themselves they work for causes in which they have a strong belief. They have to believe that some sort of support will be forthcoming for the cause they cherish.

The idea is that if you believe in what you are doing, if you do good work, and if you are competent at requesting assistance for your good work you will likely be supported by domestic resources.

b) Always keeping alert
CSOs should always keep their eyes open to know what opportunities are available out there to grab. Fund-givers choose their own time and events to stretch out their hands hence fund-seekers have to always remain alert for such moments.

c) Being communicative and effective in promotional work
CSOs have to develop their communication skills and use available media, forums, events, meetings and other opportunities to promote themselves and gain recognition and consideration for support.

d) Being achievement-oriented

Donors like achievers, winners and those who register results. Those who give want to see impacts from previous work and also want some level of reliability on the part of the CSO they want to support in terms of showing impacts for what they have contributed.

e) Possession of essential organizational skills
In order to mobilize resource effectively the necessary skills should be available in the organization. Quality proposal writing skills, lobbying skills, persuasiveness skills, negotiation skills, effective salesmanship etc are useful skills that contribute to success in resources mobilization.

f) Budgeting skills
Resource mobilization is so much about demonstrating good budgeting skills. Identifying convincing and necessary budget line items, preparing budgets in a cost-effective way, showing the link between the different cost-centers, avoiding ambiguity and overlapping, showing the link between program/project activities and budget allocation, ensuring that no necessary cost has been left out and no unnecessary cost has been included, showing the balance among the different budget-line items and ensuring that the budget adds up correctly are some of the most important skills needed for success in accessing resources.

g) Being consistent
Adhering to organizational mission, objectives, values and principles and avoiding conflict of interest. Not being simply drawn to where resources are even when they are contrary to organizational mission, values and principles.

h) Showing your own contribution

People like to help those who want to help themselves. Organizations that put forward their own contribution have better chance of being supported by those who want to assist as this is a sign of effort and commitment towards what they are set out to achieve.

i) Proven positive Reputation

Your reputation or the way others view your organization and work is built by many years of credible results and relationships that make a difference to your community and by processes that are transparent to the public and accountable to your stakeholders. A positive image can help funders feel confident about supporting your organization. Your image is based on the effectiveness of your programs, the organization's technical expertise, staff and board credibility, and relationships with the community and other stakeholders. Your message should not only share what you are doing, but also educate the public about the issues you care about. It should also demonstrate the value you are adding to society. Some types of communications tools are: annual reports, brochures, newsletters, public bulletin board, media coverage, advertising on community radio stations, and public or special events launching your new program.

j) Having good governance

*I*f CSO is known to have good governance that means a reliable and responsible board, clear, simple and attractive mission, defined constituency, trusted and capable leadership, and fulfilled legal and ethical requirements it people easily decide to consider it for support.

k) Having good programs/projects

Implementing programs/projects that can improve people's life and can be demonstrated to do so or create impact are attractions to funding organizations and people who want to help.

l) Existence of sound management practice

The presence of good management could prove to others that any resources given will be efficiently utilized to implement projects A good management practice may involve putting in place a good structure, efficient operational systems, clear and acceptable policies and procedures, reliable monitoring and activity reporting etc.

m) Presence of competent human resource

One factor that gives donors and others who want to provide resources to an CSO is the existence competent and qualified people in the organization that ensure its capacity to implement projects effectively.

n) Presence of reliable financial system

Those who want to provide resources to CSOs are inclined towards organizations with sound accounting, financial/inventory control and reporting systems. As much

as bad financial transparency and financial accountability are blockades to support the opposite is a basis for credibility and a very good card to access resources.

o) Delivery of needed and quality services

The provision of needed services maintaining required level of quality and being responsive and sensitive to beneficiary needs could also build the image of an organization and draw the attention of those who are willing to offer resources.

p) Existence of healthy internal and external relations

CSOs with good name and reputations among government agencies, communities, other CSOs, donors and other development actors and also those who have established good external relations and the ones that have healthy internal relationships are very much needed for partnership and networking.

q) Commitment to sustainability and impact creation

At the end of the day organizations and people who want to provide resources to CSOs want to see impacts that can continue to expand and make a difference in the life of people. CSOs that have committed themselves to institutional, programmatic, and impact sustainability are more likely to attract resources.

Organizations or people who want to provide resources to CSOs may have their own requirements, reasons or what kind of organizational profile they like to see prior to deciding to give. The above are experiences and observations are things that are generally considered to decide on donations or support. What donors or others require could be one or few of the above. However, organizations that could fulfill more of the above could easily qualify for support.

Activity 4.2 (Group work)
a) How constituency building helps CSOs for a successful fund raising?
b) List the important strategies that your organization needs to put in place to be a successful in resources mobilization? ____
c) What changes do you propose in your organization (structure, staffing, procedures, etc) to meet requirements and implement the strategies to effectively mobilize resources? _____

5. TECHNIQUES & STRATEGIES TO SECURE FUND FROM DONORS AND LOCAL RESOURCE

Learning Objectives:
- Know basic principle, strategies and elements of donor fundraising;
- Understand different types and features of donor fund sources;
- Understand component of project proposal and basic reasons for decline of projects;
- Understand various approach and strategies for local resource mobilization: from the general public government, business sector and own income generation ;
- Review Ethiopian CSOs experiences in local resources mobilization?
- Develop action plans on how to enhance your organization's fund raising/ resources mobilization capacity.

5.1 Techniques for Securing Resource from Donors

a) Necessary preparation for fundraising
- Clear sense of mission?
- Are your programs strong?
- Is your leadership active and engaged?
- Are you accountable & transparent for your constituencies and stakeholders?
- Is there a working partnership between staff and leadership?
- Do your goals match your budget?
- Are your financial accounting and reporting systems in place?
- Do you have a successful track record of raising money?
- Are you accountable for your money?
- Can you demonstrate results?

b) Fundraising Basic Principles
- Building trust (Fundraising is <u>friend-raising)</u>;
- Develop a diversified fundraising plan with a <u>range</u> of donors;

- Communicate your needs clearly, <u>what</u> do you want and <u>when</u> do you need it? And <u>why</u> do you want and need it?;
- Always be <u>honest</u>, direct and transparent;
- <u>Money follows people</u>. Get your donors engaged;
- Put yourself clear?
  - Why should they give you money
  - Is your program unique and creative
  - Have you tried to leverage local resources
  - Do you have a good staff and governance structure
- If you don't <u>ask</u>, donors don't give;
- When you ask for money, <u>always be specific</u> in terms of how much you need, when you need it, for what purpose and for what time period;
- <u>Key selling points</u>
  - Express clearly the value of your program
  - Meet and exceed the donors' expectations
  - Be regular and consistent with reporting your stories, successes and challenges
  - Make the donor 'feel good' about supporting you
- Examine projects are not supply/fund driven;
- Identify stakeholders and beneficiaries in the project;
- Ensure fund is not submitted to more than one donor;
- Follow priorities, procedures, guidelines and requirements of funding agencies;
- Ensure your organization capacity of implementation;
- Ensure that project proposal is in line with the donor core strategies;
- Examine the cost effectiveness of your proposed project;
- Explain other source of funds like: community and in-kind support by others.

c) Fundraising strategy

There is no mystery to planning a strategy. Think of it as a journey - what questions will you ask before you set off?

- Why do I want to go? - the purpose.
- Where do I want to go? - the objectives.
- When do I want to go? - the timescale.
- How am I going to get there? -the strategies.
- What……?

d) Building partnership
- Establishing donor inventory;

- Examine the existing relationship with donors;
- Build new relationship (start with small projects);
- Treat donors carefully and honestly;
- Facilitate exposure visit for donors.

e) Best Ways to Ask for Money
- Face-to-face meeting,
- Addressing a group of people,
- A telephone conversation,
- A personal letter signed by someone they know,
- A personal letter from someone they don't know ,
- A flyer.

f) Why Donors Give Money?
- Concern about a problem,
- Social responsibility or duty to give,
- Personal experience,
- Family or friend was involved,
- For guilt purpose or own interest,
- Personal recognition / memorial,
- Asked.

g) Who will raise the money?
- Paid staff,
- Leadership,
- Voluntaries,
- Team Vs Department,
- Fundraising team.

Activity 5.1: Plenary discussion: on who raises fund in your organization?
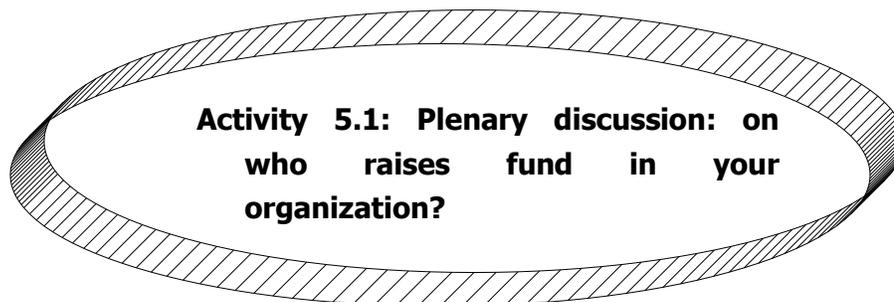
h) Elements of a Fundraising Plan
- Background,
- Case statement,
- Demographic information/external analysis,
- SWOT analysis,
- Organizational development dynamics,

- Funding history,
- Funding opportunities,
- The funding strategy,
- Implementing/managing the resource development plan,
- Resource development calendar,
- Tracking of the fundraising strategy.

i) Types and features of donors
International American Foundations
- Foundation Grants Are Based (Western Europe, sub-Saharan, Asia)
- Causes that Attract U.S. Foundation Support (Health 49%)

Private Foundations usually give fund for:
- Programs, projects, capital campaigns
- Three year cycle, with exceptions
- Resistant to funding administrative costs
- Will fund indigenous NGO's with a track record

Types of Corporations that can support your NGO
- Corporations with offices in Ethiopia
- Foundations with corporate interests – the foundation owns the company
- Corporate-giving programs

Corporation Look For
- Visibility and credibility of CSOs,
- New business and customers,
- Look good to the government & community image,
- Tie-in to marketing & promotion,
- Involvement of their employees,
- Ask for experts, voluntaries, products and services.

Simple Type Businesses
- Airlines
- Hotels – such as Hilton & Sheraton
- Soft drinks like Coca-Cola
- Restaurants
- Tour and travel companies
- Western Union
- Microsoft.

Diaspora Communities
- Ethiopian Chambers of Commerce – London, Washington, D.C., even Denver, Colorado

- Adoptive parents networks
- Friends, family
- Churches, mosques & synagogues

"Friends" Organization
- Made up of friends, family and friends of family
- Informal group that meets periodically
- Hosts parties, gatherings
- Writes letters asking for donations
- Brings people to Ethiopia to 'tour' your NGO
- Helps interpret what you are doing in Ethiopia with donor community

Religious Donations
- Communicate through friends, family, Diaspora
- Write a letter to the church, mosque or synagogue asking for support
- Write a letter to the international denominations such as Anglican (Episcopal), United Methodist, Presbyterian, Lutheran

Service Clubs
- Rotary Clubs
- International foundations, donor & institutional sources
  - Clubs all around the world,
  - Match the club outside of Ethiopia with a club inside Ethiopia,
  - International Rotary Foundation will match 3-to-1 what local club raises,
  - International schools.

Product Donations
- Pharmaceutical companies
- Computer software & hardware
- Automobile companies
- Airlines
- Recreational companies
- Toy manufacturing companies
- Clothing companies
- Soft drink companies

Conferences
- Great place to meet donors
- Establish relationship, contacts and friendships
- See if you can present your story
- Ask international NGO to pay for your plane fare, registrations and hotel.

o   This is how many people meet with donors and funders.

Earned-Income Streams
o   Coffee
o   Leather

Cultivating Individual donors:
- Your organization can raise funds from individuals (present or past beneficiaries) who give of their money and time,
- Individual solicitations require unique approaches depending on the person's interests, motivations, and ability to give,
- Developing a list of potential individual donors who can give substantial sums (also called "prospect list") starts with understanding what motivates them to give,
- For donors to keep giving, it is critical to ensure that you continue to meet their expectations and continue to educate and inspire them about your cause,
- Treat your donors with respect and honor their commitment by using their donations appropriately.

j) COMPONENTS OF A GRANT PROPOSAL
- ✓ Contact information.
- ✓ Responsible person's name, organization, address, email, telephone.
- ✓ Overview Summary of proposal, including a statement on the purpose of the project and why funds are being requested.
- ✓ Context description of critical issues affecting your community and why project is necessary.
- ✓ Funders may ask for a needs statement which provides a scope of the problem, including statistics. Focus this section on what your intended project is addressing.
- ✓ Project description: How project will be implemented, including: measurable goals and objectives, activities, beneficiaries' involvement, anticipated results, timeframe, collaborating organizations or agencies;
- ✓ Monitoring and Evaluation: How project will be monitored and evaluated to ensure that the project is on track and that the results are being achieved.
- ✓ Budget Costs for project, amount requested, in-kind contributions, and other sources of funding. State currency and exchange rate.
- ✓ Organization Information: Background, governance structure and composition, mission, past accomplishments, staff qualifications, internal controls, legal status.

- **Follow up / politics**
  - Allow 30 days before proposal deadline
  - Follow-up telephone call
  - 2-3 contacts during the 30 day period
  - Letters of support
  - Key phone calls and email

- **Life after the decision**
  - If YES
    - Thank you letter –traditional
    - Thank you letter- unorthodox
  - If NO
    - Telephone Call
    - Thank you letter
  - Regardless of Yes or No
    - Put on mailing list
    - Regular email and notes
  - Invite to tour the NGO

k) Common Reasons for Grants Decline
- The NGO does not meet our priorities and objectives.
- The NGO is not located within the funding geographic area.
- The proposal does not follow our prescribed format & procedure.
- The proposal is poorly written and difficult to understand.
- The proposal is not within our funding range.
- We do not know these people, are they credible?
- The objectives and plan of action of the project exceed the budget and timelines.
- All money for grant cycle has been allocated.
- No evidence the program will become self-sufficient after grant is complete.
- The problem being faced has not been explained properly.
- Client groups (community) have not been involved in the planning.
- The program has not been co-coordinated with other organizations.
- The funder has not been assured of the organization's capabilities.
- The project's objectives are too ambitious in scope.
- The accounting system & evaluation procedure may not be adequate.

5.2 Techniques and Approaches for Local Resources Mobilization

The experience of Ethiopian CSOs in domestic resources mobilization has not well developed. There are however indigenous CSOs that have been accessing existing resources and were also engaged in creating resources. There are experiences to

build upon and also the opportunity to expand the domestic potential for the supply of resources for the work of CSOs. There are many ways of tapping domestic resources and also generating own resources. Some of the ways for mobilizing resources are discussed below.

i)   Raising Fund and Other Resources from the General Public

The general public is one of the major sources from whom both financial and non-financial resources could be generated. The collecting of donations and other forms of resources from the public could be from individuals as well as groups. Some of the factors that influence the likelihood of getting more support from the public are the state of the economy, the culture of giving and the credibility of the CSO. When the economy is in good shape people are inclined to give rather than during hard times. In many cultures it is common for people to help but some cultures could be more used to giving than others or the ways of giving could be different. The credibility of the CSO, how it uses its resources and also its public image may facilitate or make difficult the resource mobilization process. Some of the most common techniques of raising resources from the public at individual and other levels include the following.

Special events:
Special events, also known as benefits, are a popular fundraising activity. The organization sells tickets to a social event, concert, dance, or sports tournament and adds a margin of profit. You can also sell crafts, T-shirts with your logo, or food at the event to make more money. You can have a "work party" where you bring the community together for a day to help renovate houses or a community library.

Special events can be a fun way to publicize your cause, raise awareness of a specific issue, introduce a new program, create a positive image of your organization, outreach to your community about your services, mobilize your constituency, and celebrate your accomplishments.

Special events can also be labor-intensive, take staff time, and lose money. To maximize your chance of success, some tips in planning the event are:
- Tie the event to your mission or cause;
- Choose an event that people want to attend;
- Choose a date that does not conflict with seasonal duties;
- Repeat your event annually if successful, the first year may be the hardest and you may have learned lessons for the next one;
- Set an appropriate price;
- Recruit a local celebrity or dignitary to serve as an honorary chair;

- Nominate a volunteer to serve as the manager of the event and enlist other volunteers, this could be a way to test new leadership skills and build a team;
- Find a local business sponsor to donate cash or goods in exchange for free advertising.

Street collecting: *asking members of your organization or volunteers to go around with leaflets or other forms of description of your organization and collect funds. This must match with particular days when people could be in the mood to give such as holidays around paydays and special celebrations.*

Pay roll donations: *persuading the staff of a work place to make regular donations for the work of the CSO. It is important that the work of the CSO should be well known to the staff and if possible linked to their interest as well. For example, the CSO could be working in the area of HIV/AIDS or other topics of concern to them.*

Collection centers: *placing static collection boxes or envelops in hotels, shops, airports, and other public places with something that is attractive and appealing to those who donate. The idea here is to collect slowly but a good amount of money in a longer period of time.*

Using direct mail: *This is sending someone a letter asking contributions for your organization. While it is common in many countries it has not yet developed*

in Ethiopia. However, it has a high potential. The advantages of a direct mail are that it could raise a good amount of money, it is cost effective (only if done well), attracts new supporters, creates a continuous channel of communication with supporters, helps to target the right audience, it is measurable and also helps you to control your time. The direct mail method of fund raising requires establishing a good mailing list before sending any message.

Advertising: *This involves advertising your organization on the media (radio, television, newspapers, magazines etc.) and asking the public for contribution. Since this may require professional support, it may be necessary to advice and involve journalists, advertising specialists and others who are good at the job.*

Membership contributions:
Your organization may have members who form, own and operate the organization. The organization can generate cash from membership dues or

subscriptions. The amount should be spelled out in the original charter or bylaws and may be done on a sliding scale. Members are also a good source of volunteers and spokespeople for your cause. In return, the organization will be accountable to the membership base and provide benefits to them.

Example of a membership drive: To enroll new members, consider conducting a house-to-house membership drive where volunteers recruit new people to join your organization. Give new members an incentive to join -- a social gathering to orient new members, a membership card to show their affiliation, or a reduced price for the first month.

House to house collection: volunteers and members could also go house to house to request for donations for the CSO. It is always useful to carry descriptions about the organization and also identify people who can effectively communicate and persuade those who can support.

ii) Accessing Government Resources

The accessing of government resources by CSOs in Ethiopia particularly funds is very recent and very rare. However, CSOs have been getting land and other forms of property. It is quite possible that more resources could be obtained from the government through additional efforts. Since government money is public money and CSOs are citizens' organizations, there is nothing that prohibits them from accessing public funds as long as they can make their case and also develop relationships with the governments without compromising their independence. There are both constraints to accessing government resources and also advantages of obtaining resources from government.

Challenges of obtaining and using government funds

- Problems of attitudes or perceptions towards each other
- Contrasts between participatory approaches of CSOs and government 'top-down' approach
- Contrasts in goal definition: government leaning towards quantitative and physical aspect; CSOs focusing on qualitative aspects.
- Restrictive government procedures
- Policy and strategy differences
- Differences in levels of flexibility and speed in decision-making
- Government problems with identifying partners from CSOs and focusing on its own criteria that may not be acceptable to CSOs
- Lack of clear and consistent government policy and guideline on how it intends to work with CSOs
- Weak communication, information and experiences sharing between government and CSOs

- Inadequate understanding of each others' strength and limitations
- Lack of sufficient information on which government resources are available for CSOs and the conditions or terms attached to it if any.

Advantage of accessing government

- Improved collaboration with government
- Enhanced access to information and outputs of government institutions
- Better opportunity to influence government operations
- Opportunity for influencing public policy
- Opening up a wider avenue for sustainability

Some of the means through which government resources could be accessed are the following.

Grants: government may have funds that it may not have the capacity to use or reach communities that it has targeted. In such situation it may not have mush choice but involve CSOs in implementing plans. The arrangement could be fully covering the cost or requiring CSOs to produce matching funds that they can afford.

Contracts: In certain instances CSOs may have better experience in dealing with a particular development work or emergency situation and their services may be needed by CSOs. The government therefore calls upon CSOs to come sign contracts or some form of agreement to do the job on behalf of the government with funds provided by government.

Property: Because of the social service that they provide to needy communities, CSOs are entitled to certain public services and property. CSOs therefore can have access to land, public premises and physical infrastructure. Acquisition of land by CSOs for working area, office space, income generation etc. is a very useful resource. There are CSOs that have been given land, houses and other property by local government and kebeles for project activities.

Programs/projects: CSOs may prepare and submit project proposals to government agencies from credit or grant funds obtained from external sources where the conditions or agreements with donors has provisions for involving civil society organizations including CSOs to access the fund and implement programs/projects that are approved by the government.

Human resources acquisition: One of the critical shortages that indigenous CSOs face in Ethiopia is qualified resource. Government sector organizations at

federal, regional and local levels have staff that CSOs could request and use at least temporarily. There are already experiences where government education, health agriculture staff, development agents and others are seconded to CSOs projects.

iii) Resources from the Business Sector

The private sector in Ethiopia though not yet developed, has a good potential for CSOs to access resources from. Even if not substantial, there are some indigenous CSOs who are raising funds and other resources from the business sector. There are several reasons for the corporate sector to give resources to CSOs in Ethiopia. They include the following reasons.

- Wanting to have good reputation with their staff in getting associated with a public cause;
- Desire to be seen as good corporate citizens by the public, the government and shareholders;
- Because their competitors are supporting good causes;
- Getting interested in particular issues or causes;
- Because they are approached and convinced that they should give;
- As an avenue for promoting their products/services.

In order to get the most out of this sector, CSOs should also find areas that interest business enterprises such as opportunities for promoting them and their products/services or others.

Some of the challenges for CSOs in accessing corporate resources include:

- Under developed CSO-Private sector relationship
- Biased perceptions and attitudes about each other
- Weak level of development of the private sector
- Undeveloped culture of giving by the private sector
- Lack of institutional and other arrangements for the private sector to channel resources to CSOs
- Lack of incentives to private enterprises such as tax exemption on donations to CSOs and other civil society organizations.

The resource support that the private sector gives to CSOs is recently referred to as **_corporate social investment._** The business sector is more attracted towards looking at its support as a social investment in which it is also playing a part. CSOs are likely to be accepted better if they approach the sector from this perspective. CSOs could approach the corporate sector in different ways including the following.

Sponsorship: Enterprises could be requested to sponsor events, beneficiaries, certain activities, entire projects etc.

Private sector/CSO partnership: This is a process where CSO and one or more business enterprises identify mutually satisfactory program/projects and work collaboratively for implementation with resource contribution from both sides. For example, a business organization may want to sale its products among particular communities and might want sales people. A CSO may have street youth, poor women or other disadvantaged groups that it supports and wants employment opportunities for them. The two organizations could come together for mutual benefits.

Strategic business interest: the work of CSO could fall within the strategic interest of a business enterprise and this may compel the company to provide resource support to the CSO to extend its services to the staff of the organization. For example the spread of AIDS has become a serious threat to the workforce of Ethiopia impacts on the future of the corporate sector and the country as a whole. Enterprises are eager to prevent the spread of AIDS by joining hands with CSOs who have set good records in the fight against this pandemic. There are already CSOs involved in such ventures with the private sector such as Integrated Services for AIDS prevention and Support Organization (ISAPSO) working with MIDROC Ethiopia and other companies

Business philanthropy: This is a situation where CSOs access contributions from the business sector through foundation, directly or other institutions. Though yet to develop further, this approach has a good future especially if a better enabling environment is created for the private sector to contribute and also establish foundation. Such resources are often accessed through submitting proposals or simple requests. The philanthropy comes not because companies want to give but often because they may be interested in particular causes that the CSO is addressing.

Donations of goods/services: business organizations have goods and services that they can provide to CSOs as donations. These could be things that they want to dispose of or things that they want but still like to give them out for good cause. They can also provide technical and other assistances needed by CSOs or they can give employment opportunities for CSO beneficiaries. In countries like Ethiopia where the private sector itself is weak and short of financial resources, donations of goods/services could be something they can afford.

Presenting good proposals to corporations and foundations

One way of approaching bigger private business and foundations/trusts in Ethiopia is through submitting good but brief proposals for resources support. In Ethiopia, CSOs' experience in approaching the business sector for resources support is limited. Convincing arguments to persuade them towards giving to social causes require a lot of effort but it can be done.

iv) Generating Own Income

CSOs should also be involved in earning their own income. Earning own income could mean engaging in business activities and making profits. As part of their mission statement, many CSOs work to improve the economic conditions of a targeted group by helping to create new sources of income. The strategies employed to realize these goals can also be useful in generating income for CSOs directly. A business plan can have a significant impact on the success and mission of a venture.

<u>Conduct assessment/ Think strategically on the business venture</u>:
- What for-profit activities are allowable by law for your organization?
- If a for-profit venture is not possible, can you spin-off an enterprise with the sole purpose of financing the non-profit, mission driven organization?
- What are the potential philosophical conflicts between your organization's mission and the profit-making venture?
- How is the mission of your organization related to the proposed venture?
- What are the goals and objectives of business?

When the idea of involving in business and making profits is raised in Ethiopia a number of issues and concerns come into picture. Some of them are: ***Legal (***Limitation for CSOs to engaged in business); ***Philosophical (***should CSOs make profits); ***Experiential (***whether CSOs have experiences with business; and ***Behavioral (***whether CSO personnel would like to behave like business people).

There are encouraging arguments that there is no problem with CSOs engaging in business activities as long as the profits are plowed-back into development activity. It is often the meaning that is given to 'profit' that creates the problem rather than how the income from profit is used. Most CSO people come from a background of social work, religion, civil service etc; they lack of experience in business and there are even people with negative impression about business. Therefore, there is a degree of discomfort felt when the idea of CSO involvement in business is raised. CSOs and other civil society organizations in Ethiopia do not have to always rely on foreign funding and continue to be dependent. They have

to explore all possible means to diversify their resources base. One of the options they have is to earn their own income thorough engaging in business in different forms. It is imperative that all legal, fiscal, attitudinal and other challenges should be addressed to pave the way for expanded forms of earning income for sustainability. Once such problems are resolved it is possible for CSOs to involve in different ways of generating their own income. Some of the approaches to earning own incomes are listed below.

Income from mission related enterprise: A CSO can have a product or service that it provides frees of charge to its beneficiaries but could as payments from those who can afford to pay. This could be in the field of education, health service, or selling processed or farm products.

Income from enterprise not linked to mission: Another option is running a business that is not at all related to the mission of the CSO but something that the CSO could manage without a problem or interference with its main work. It is often good to undertake such an income generating work as a separate work. This kind of enterprise could be any undertaking that is profitable and acceptable. It could be selling products or services for which people can afford to pay or engaging in renting houses or other facilities.

Cost recovery: CSOs may choose to charge a nominal fee for their products or services. This helps the CSO to recover some of their costs and be accountable to their paying "clients." However, in reality, many of the CSOs work in areas where the poor do not have the ability to pay. An alternative could be to subsidize some of the costs by charging those who can pay. To determine people's ability to pay, CSOs need to analyze their clients, market, and other competition.

These days, the belief is that things that people are given free are not often valued. Even the poor should pay as little as they can afford for the services they get. Charging fees for services is one of the effective ways to keep a service running as long as it is desired. CSOs should work towards recovering all or part of the cost of programs and services with provisions for those who cannot at all pay.

Building income together with community organizations: A CSO can assist a local community organization to establish an income generating activities. The CSO can have a share in the business or run part of the work like the beneficiaries. This approach, while helping both the beneficiaries and the CSO to earn income could also enhance their partnership and ensure sustainability.

Joint venture with private enterprises: Since the new legislation permits engaging in business activities, CSOs could explore ways of building business partnership with private enterprises in areas where they can competently work together.

Though not widespread, some of the above income-earning ways are already being exercised by some CSOs in Ethiopia. For example there are CSOs that sell agricultural products, handicraft and those that recover costs from services they provide. Other CSOs rent part of their premises, equipment, vehicles etc. While the legal environment at present appears to encourage generating income though in a restrict way, the opportunity could be used and widened.

For CSOs to be effectively engaged in income earning business, it is important to consider **some of the challenges** associated with their involvement in business activities. Some of these are:

- Conflict between CSO and business culture;
- Lack of business management skills and experience on the part of CSOs;
- Decisions on what part of the finance and human resources of the CSO goes into the business wing of the organization;
- Source of capital to start business;
- Public perception of CSO getting into business;
- Competition with business; and
- Legal (tax etc issues)

The above are challenges that should be thought about before engaging in business. They may cause some difficulties but all of them could be solved with careful preparation and good entry strategy.

Under this unit, we have discussed several approaches to mobilizing resources. It is important to decide which approaches are most appropriate and effective to your particular organization. Some of the useful planning elements to be considered in this regard are the following.

- Review the current fund raising/resource mobilization practices of your organization and decide what to do;
- Decide on where and what kind of change is needed in the practice;
- Identify which approaches are the best for your organization;
- Undertake resources mapping
- Identify potentials supporters
- Make an estimate on the length of time that the resources mobilization could take
- Determine the amount and sources of the resources you may need for the exercise;

- Determine the steps that your organization will take from the beginning to the end of the process;
- Build your capacity in fund raising/resources mobilization skills and strategies
- Learn from the good experiences of other organizations
- Identify possible difficulties and prepare contingency plans.

Once a CSO has taken a decision to engage in resources mobilization it is important to determine which of the existing approaches of resources mobilization could lead to success and what creative ways should be added to ensure success.

Activity 2.1

    a) Which of the above fund raising/resources mobilizations techniques has your organization used to solicit fund from the general public? Which of them worked? _____

    b) What additional fund raising approaches do you think will work? _____

    c) Has your organization ever accessed resources from government? If so what are these resources and how were they obtained? _____

    d) What should CSOs do to expand opportunities for accessing more resources from government? _____

    e) What should CSOs do to influence the private sector to provide support to CSO activities? _____

    f) What do you have to do in the future to access resources support from the corporate sector? _____

    g) What are the experiences of your organization in generating its own income? _____

    h) What steps should be taken to create opportunities for Ethiopian CSO to facilitate their involvement in income earning business by different concerned organizations? _____

6. EXPERIENCES ON BUSINES VENTURES CSOs

Learning Objectives:
- Learn lessons from foreign and local NGOs experiences on commercial ventures;
- Know basic strategies and business plan preparation for NGOs;
- Understand basic internal and external conflicts in business venture;

6.1 Experience on Commercial Ventures

Any smart private investor will say that the key to financial security is diversification, i.e., holding a mixed portfolio of investments rather than depending on a single investment to meet current and future income needs. If you put **all your eggs in one basket, you and your family run the risk of hardship, or even ruin, if the basket drops**. This cardinal rule of investing also holds true for NGOs that need a secure flow of income to meet current and future program needs.

The best NGOs are clearly as entrepreneurial as the best private companies, being able to make things happen and create something out of nothing. Like commercial marketers, these NGOs find under-served segments of the population and design products and services to meet the needs of those markets. Good NGOs are effective in hiring and training staff, planning and budgeting, strategic planning, purchasing, public relations and other areas of management. Finally, these NGOs have a proven ability to acquire specialized knowledge and technical expertise related to their fields of operations and the businesses of their beneficiaries.

Two NGOs from the developing world that have been particularly successful at diversifying their sources of funding and expanding into business ventures are the **"Bangladesh Rural Advancement Committee (BRAC)" & "Population and Community Development Association (PDA)" of Thailand**. BRAC was founded in 1972 to aid refugees returning home after the country's war for independence. It has since grown to become one of the largest and most broadly based NGOs in the world, with a staff exceeding 25,000 and an annual operating budget over US$ 100 million, of which less than forty percent now comes from grants and donations. BRAC.s core activities are targeted at the destitute, the

illiterate and the landless, encompassing rural development, education and training, health and population, and urban programs.

All of its programs .from animal raising to credit programs to the production of low-cost education materials are designed to optimize cost recovery while serving those in need. Programs that generate surpluses above their ongoing costs are used to cross subsidize other valued programs. Sixty percent of BRAC.s budget comes from these surpluses. BRAC Printers began in 1977 to meet BRAC's own printing needs, and has since been spun-off as a separate entity that provides high quality printing services to private sector clients. The Aarong craft shops owned by BRAC bring income to thousands of rural craft producers and profits to the organization. BRAC.s Cold Storage Facility helps potato farmers to store their output until prices rise, benefiting both the farmers and BRAC, while its Dairy and Food Project generates a surplus by linking rural milk producers with urban markets.

Recently, BRAC has joined with other **non-profit and for-profit** organizations in establishing the Delta BRAC Housing Finance Corporation to promote affordable housing, and its new BRAC Information Technology Institute (BITI) aims to become one of the largest such institutes in South Asia.

Thailand's PDA is most well known internationally for its early pioneering work in family planning and more recently for its success in tackling Thailand's AIDS problem. The organization began in 1974 by establishing one of the world's first rural-based social marketing programs for contraceptives, supported by international grants, a network of over 16,000 volunteer distributors and fees charged for its products. Once this program was well established, PDA expanded its efforts to improve rural living standards with projects in primary health care, water resources, agricultural marketing and small-scale industries.
Today, PDA covers over seventy percent of its annual budget from its own resources and it aims to be 100% self-sufficient by the end of the decade. Other income earners for PDA include contracting out its research and training divisions to private clients and the rental of office space and conference facilities.

The growth of PDA.s Cabbages and Condoms restaurants illustrates how a mini-venture can grow into a highly profitable enterprise. It all began when PDA staff and their friends used to gather informally after work for snacks, drinks and conversation in the small garden attached to PDA's headquarters. As its popularity grew, menu items were added and the restaurant expanded several times. It now operates out of a separate building next to PDA, has become one of Bangkok's most popular Thai restaurants with gross revenues approaching US$ 75,000 per month, and has expanded with branches in other cities.

In 1988, PDA began one of its most innovative and potentially far-reaching programs ever, the Thai Business Initiative in Rural Development, or TBIRD. The TBIRD concept is to match rural needs for better business skills and marketing opportunities with the money and especially the talents of private companies. Who better to show the way, argues PDA, than the business community? TBIRD takes advantage of the increasing interest of corporations to contribute to their country's development and foster their public image. The private companies provide the funds and business-specific knowledge and experience. PDA acts as the intermediary, supplying the skills, lacking in the private companies, to plan and organize village-level activities.

An exemplary TBIRD initiative has been the Nike Village Development Project in rural Chakkarat district of Northeastern Thailand. PDA has worked in Chakkarat for many years, and Nike joined TBIRD as part of its newly developed social agenda. The project began with the establishment of a shoe factory in the remote district; its success has led to other Nike-supported initiatives benefiting almost 3,500 families who previously struggled with lack of resources, employment opportunities and frequent drought.

The relocation of factories outside Bangkok.s industrial zone has strengthened local communities and dramatically reduced poverty. PDA calls this the privatization of poverty alleviation. The achievements of PDA and BRAC offer lessons to all NGOs seeking to reduce their dependence on donors.

First, both groups view self-reliance as a key organizational goal, but also as a long-term goal that cannot be reached overnight. Second, they focus on ventures that match their skills and experience and are consistent with their mission. Third, in their business ventures, as in their development work, they show flexibility and a willingness to experiment, while starting small and expanding only when they are confident of their technical, marketing and other skills.

Finally, they look for partners who share their goals and can provide expertise that the NGO lacks.

6.2 Strategies for NGO Commercial Ventures

Strategic planning theory for business teaches that companies which expand face less risk if they focus on **new businesses that take advantage of, or leverage off the existing core competencies of the company**. Thus travel companies tend to expand into other travel-related businesses, while companies with strong marketing and distribution networks try to sell new product lines through those existing channels. NGOs take a similar approach when making strategic decisions to expand into new core activities; not all NGOs have the core competencies to

work in HIV/AIDS, and many NGOs working in HIV/AIDS rightly choose not to be active in all aspects of the AIDS problem.

NGOs that want to start commercial ventures, while avoiding undue risk, should also focus on businesses that relate to their core mission and take advantage of their existing skills, staff and facilities. Such ventures are less risky because they can start out small, require little capital investment or other start-up costs, and cause the least disruption to the NGO's core operations. They can also be exited quickly if they fail to meet expectations. A break down of commercial strategies being used by NGOs, large and small, is given below. Note that some commercial ventures may combine elements of more than one strategy.

All the strategies require NGOs to divert some of their time and energy away from their core mission. NGO managers must strike a balance that optimizes resource generation without compromising the quality and quantity of the services they provide to their core beneficiaries.

Conduct core activities for paying clients

Yayasan Kusuma Buana (YKB) of Indonesia provides primary health care services in poor neighborhoods of Jakarta. It helps subsidize these services by operating a for-profit clinic in middle-income district of the city. The Thailand Business Coalition on AIDS provides AIDS education and counseling services charging fees on a sliding scale based on their client's ability to pay. SIQL of Croatia promotes environmental awareness among the general public supported in part by fees for training programs it provides to government and private groups.

Contract out support services to the private sector

FUNREDES in the Dominican Republic capitalizes on its information technology expertise to offer website design, internet courses and network consulting to private companies. The Lotus Foundation in the Czech Republic uses a similar strategy. BRAC.s ability to produce and publish high quality printed materials led to the formation of BRAC Printing. PDA and other NGOs with field research skills charge private clients to conduct field surveys and focus groups.

Market products made by their beneficiaries

The Organizaçao de Ajuda Fraterna in Brazil assists street children to build a better life and sells furniture made by the young people to cover all its costs. Other organizations from Nyumba Ya Sanaa in Tanzania to Oxfam sell crafts and folk arts through shops, catalogs and internet sales. Many rural development NGOs benefit their beneficiaries and themselves by marketing agricultural products.

Tie-ins to public relations activities

Environmental NGOs such as NACOBTA in Namibia, the Sierra Club, and country affiliates of the World Wide Fund for Nature run tourism businesses, publish nature books and own other eco-enterprises that generate profits and promote environmental awareness. Numerous other NGOs sell promotional items to earn funds while spreading the word about their mission and goals.

6.3 Internal and External Conflicts

Much of the success of NGOs can be attributed to the shared vision of their dedicated employees and volunteers. Bringing commercial enterprises into an NGO will disrupt internal cohesion if staff views profit and business as inherently unethical. To prevent this conflict, managers must communicate
to their staff the vital importance of financial security to the organization's

The staff of the NGO may also argue that the organization's core mission will suffer if scarce resources are diverted to profit-making ventures. This is a legitimate concern, especially in the short run. (In the long run, the whole point of the profit-making ventures is to increase resources to the core mission). Similar concerns can also arise whenever NGOs expand their core activities into new areas to the possible neglect of their existing work. Good management always requires effective allocation of scarce resources throughout an organization.

When non-profit and for-profit activities operate side-by-side, some culture clash is inevitable. For-profit staffs are usually compensated differently, evaluated differently, and have different skills and educational backgrounds than non-profit staff. The non-profit staff may resent the higher salaries and other perks of their for-profit counterparts who, in turn, may feel like hired hands unappreciated for their contribution to the NGO's mission. Good leadership may reconcile these conflicts: If not, separating the two arms may be the best solution.

The Dangers of Success

When an NGO.s business ventures, individually or collectively, grow to significant size, the above-mentioned problems may arise. Staff may feel that business activities have overshadowed the organization's mission. Other local NGOs may resent its success. Government tax authorities may reconsider the NGO.s tax status. In addition, traditional donors may disagree with the direction the NGO is taking, or decide that the NGO no longer needs their donations to support its good work.

As an NGO's businesses become successful, private competitors may also start complaining that the NGO has an unfair advantage due to its lower cost structure and exemption from income and value added taxes. T**he case of the YMCA, one**

of America's oldest NGOs, illustrates this point. The YMCA has long provided athletic facilities at low rates as part of its mission to promote the physical and mental development of young men. In recent years, the organization has upgraded these facilities into full-service fitness centers profitably serving the middle class. As a result, private health club owners are asking local governments to review the YMCA's tax exemptions, and some of its traditional donors are questioning why its resources are not serving those most in need.

Social Responsibility

NGOs must make special efforts to be socially responsible in their business affairs. They must offer good wages and benefits, ensure worker safety, protect the environment, etc., even when this puts them at a cost disadvantage vis-à-vis their less responsible private competitors. Ideally, NGO businesses can show that profitability and social responsibility are indeed compatible, and thus serve as a model for the rest of the corporate world to follow.

6.4 The Business Plan

Business plans are very similar to the project proposals that NGOs use to apply for grant funds from donor agencies. Both tell the story of an underserved segment of the population, and the strategy and implementation plan whereby the NGO will meet the needs of the target group(s) more effectively than other organizations. Both are intended to communicate the story within the organization and to obtain funding from outside sources. And there is no standard format or optimal level of detail for either a grant proposal or a business plan (see the key components of business plan as follows).

a) **Executive Summary:** A brief (usually less than one page) overview of the entire business plan intended to help readers understand the big picture before they begin reading the details of subsequent sections.

b) **Description of the Business:** This section is also generally quite brief. It begins with background information on the NGO its mission, goals, activities and the skills and expertise it has developed over time. This is followed by a description of the services the proposed business will offer, the market segments on which it will focus, its strategy for differentiating its services from those of its competitors, and the goals and objectives of the business. The purpose is to show how the business matches the core competencies of the NGO and fits with the NGO.s overall mission.

c) **Market Analysis:** This section describes the existing marketplace in which the NGO will conduct its business. It begins with an overview of the total market for the services to be provided by the NGO the size of the market,

growth trends and economic, social, technological or other factors that affect demand.

Then the market is broken-down into market segments, with an analysis of the size of each segment and their different .tastes and preferences. i.e., the factors that influence their buying habits and determine how they choose among alternative suppliers. The market segment(s) whose tastes and preferences most closely match the services to be provided by the NGO thus become the target market(s) it will pursue. For example, consumer markets differ from corporate markets; individuals can be segmented by age, occupation, gender, income, geographic location and ethnicity; corporate markets can be segmented by size, location, industry sector and the types of customers they serve.

d) **Analysis of Competition:** This section begins with a broad overview of other companies that compete in the market for the services to be provided by the NGO. It includes who they are, their geographic coverage, market share, pricing and other policies, etc. It is followed by a more in-depth analysis of companies that directly compete for the market segment(s) targeted by the NGO, emphasizing the strategies they use and their strengths and weaknesses in serving those market segment(s).

e) **Marketing Plan:** A marketing plan consists of two parts. First is the marketing strategy, a detailed description of the market segment(s) on which the business will concentrate followed by an explanation of how the business will match the strengths of its competitors and capitalize on their weaknesses, thus capturing market share from them. The focus of the strategy is what marketers call your .unique selling advantage which is the special benefit or benefits you will offer customers such as lower prices, higher quality, greater convenience, more personalized service or contribution to society. The second part of a marketing plan describes how you will promote your product, i.e., how you will make potential customers aware of the services and benefits you offer. Options available to most businesses include direct mail, sales forces, advertising in print media, radio and television and personal contacts. NGOs can also use their volunteers, members and other supporters to promote their businesses via word of mouth, and try to get free publicity from local media to spread the word about their services.

f) **Implementation Plan:** The implementation plan, also called the operating plan, delineates the day-to-day activities that will be undertaken to set up and operate the business, starting from the day the business plan is approved. Implementation plans vary considerably depending on Strategies to Strengthen NGO Capacity in Resource Mobilization through Business

Activities for the business (vehicles, equipment, legal and professional fees, etc.).

This is followed by a breakdown of the monthly operating expenses to run the business (salaries and wages, rent, utilities, etc.). The next step is to determine your Break-even Point. i.e., the volume of sales that is required to cover the direct costs of providing the service plus other operating expenses.

Unfortunately, it is impossible to accurately forecast the volume of sales that can be achieved at different prices. You have to make your best judgment based on your understanding of the market and your target customers. If you determine that the break-even point is unattainable, the business cannot be viable. The next step is to prepare profit and loss statements for the business given your best judgment (best case, worst case and expected case) of sales volumes you can achieve the type of business, but are likely to include the following:
- Obtaining the site for the business and making any needed physical improvements;
- Purchase or rental of equipment, furniture and other assets;
- Hiring and training of personnel;
- Supply of support services (information technology, maintenance, security, etc.);
- Supply of raw materials and other inputs;
- Production and distribution of sales promotion materials;
- Development of monitoring and evaluation systems;
- Public relations activities;
- Incorporating the business.

For each of these areas, the implementation plan breaks down the activity into its sub-components, specifies what is to be accomplished, assigns who will be responsible and sets a timeframe for completion.

G) **Financial Analysis:** The financial analysis quantifies the NGOs business plan in monetary terms. The profit and loss projections are your best estimates of the amount of profit the business is likely to bring to your NGO. You might have to decide that the business, although profitable, simply will not bring in enough profit to justify the time and effort required.

One of the most common reasons why many businesses go under is that the planners underestimated the time it would take for sales volumes to reach profitable levels. Each month the business has negative cash flow meaning that it spends more money each month than it takes in. If the owners don't have enough money to keep supporting the business until it becomes more popular they are forced to go out of business. In planning the amount of

funds needed for the business it is, therefore, important to include sufficient funds to cover such possible negative cash flow.

For NGOs, starting a business is only one possible route to achieving greater financial security, which in itself is a long-term goal that cannot be reached overnight. It is counterproductive to rush into business before your NGO is ready. But it is never too early to start laying the foundation for your entry into the business world. Start by doing the following:

- Learn more about business in general and about the specific businesses your NGO could undertake. Read business journals, visit trade shows, surf the internet, collect brochures and advertisements from potential competitors, site out locations, take management and business courses and so on.
- Analyze your own consumer behavior. Why does your NGO patronize certain suppliers and not others? What influence does price, quality, convenience and other factors have in determining where you eat, shop and hire professional services? Learn to think about yourself and your NGO as members of market segments.
- Develop your contacts, especially in the business and academic world. Let them know of your plans to eventually get into business and encourage them to think of ways they might support you.
- Finally, talk up your plans with your donors. Lobby them to establish programs to promote commercial ventures for NGOs through grant funds for management training, hiring business consultants, and providing investment capital for NGOs to start the businesses.
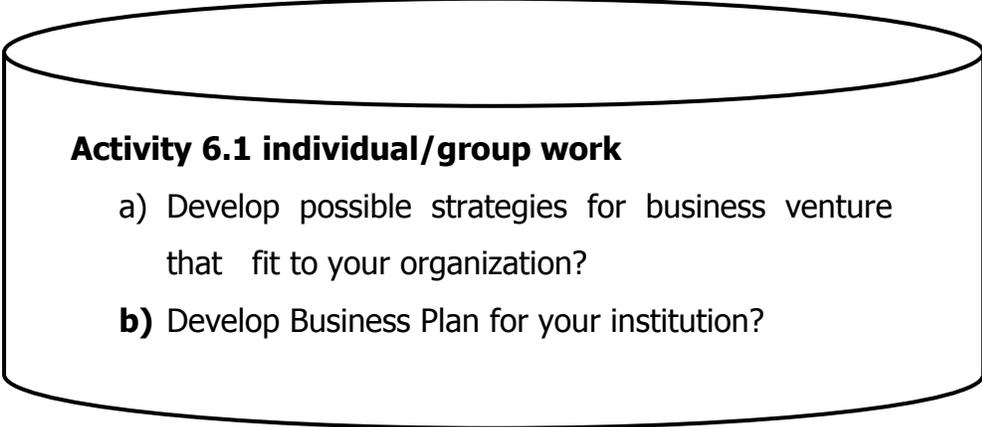
Activity 6.1 individual/group work

a) Develop possible strategies for business venture that fit to your organization?

b) Develop Business Plan for your institution?

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11. **Workshop: Resource Mobilisation**. *Trainers guide* provides step-by-step instructions for a trainer to facilitate the workshop; a suggested schedule and timing for each session; instructions for activities; and lecture material. http://www.worlded.org/docs/Publications/training/jia_resource_mobilisationparticipant_manual.pdf.

12. *Participant's Manual* goes with this guide and contains the handouts to be used in the workshop and a copy of the lecture material for reference.

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