

A GUIDE TO FUNDRAISING

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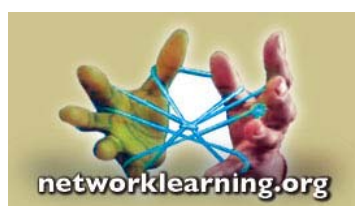
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Introduction

Non-profit organisations in the South are steadily becoming more professional. But there are still vast differences between organisations and their levels of capacity. To help in the process of professionalisation this guide for local NGOs has been put together, based on fundraising checklists developed by Ernie Hayes.

With fundraising, there are no quick fixes, no magic shortcuts. Instead, the steady, regular work of your organisation – board members as well as the staff responsible for funding – will develop an effective strategy through many small steps. Community-based groups can become stronger as they plan and work together to raise money for projects.

There are three processes involved:

- 1 The process of professionalism**
- 2 The planning of a project**
- 3 Finding money for the project** (and, ideally, a longer term relationship with its funder).

Note: These processes overlap in time.

1 The process of professionalism

This process is wider than the issues covered here. For an overview of the whole process, download *How to Build a Good Small NGO* from www.networklearning.org and look through it. Look also at the *Management Skills* page on the website. And think about capacity assessment and capacity building.

Some aspects of this process of professionalisation are especially important for fundraising:

1.1 Being clear about your own identity

Each NGO is in its own way unique and special. You need to make that uniqueness clear in your NGO documents. Is your Mission Statement enthusiastic, imaginative and creative? Can you answer the following questions clearly and directly?

- What is the unique purpose of your NGO?
- What are the basic needs that this NGO fills? What target group does it serve and how does it meet the needs of the beneficiaries?

1.2 **Assembling the basic documents of your NGO**

As the activities of your NGO start being successful, you will be required to have legal documents that indicate your registration with the government. This is true for all NGOs.

There are situations where the NGO is connected to a different organization that assists or is responsible for the administration of the NGO's affairs. In such a situation the second organisation must make copies of relevant documents for the NGO's folder of essential documents.

This folder of essential documents should always be available for inspection by community members, potential board members or possible funders. It would include:

- A document of registration with the government
- Letters of certification from relevant ministries
- The most recent financial audit of the NGO
- A financial statement made by the accountant
- The NGO's mission statement, aims and objectives
- An organigram of the NGO; list of the names of the members of the Board of Trustees etc.
- Letters of support from current/past donors and partner organisations in the same field

1.3 **Chronicling and making known your NGO activities and achievements**

You can do this in the following ways:

- By writing up and circulating the NGO's mission statement, aims and objectives. Then, as projects are implemented, the NGO can start circulating accounts of its successes and failures, case studies, lessons learnt etc. This kind of information can be distributed among local businesses and the donor community.
- By sending NGO workers to meetings, seminars etc to make presentations, and by networking with people and organisations in the same field;
- By setting up a website – providing a cheap deal can be found.

1.4 Establishing a long-term fund-raising mechanism

Here are the steps you could consider taking:

- Work out approximately how much funding will be needed for the next two to three years.
- Develop a fundraising policy and regulations. This could involve a concept paper for circulation and discussion within the NGO and Board of Trustees. There are fundamental considerations to be made about the type of funding you want. If you have many small local contributors it means that you are growing local roots and a local constituency; in return for contributions these people would wish for a voice in policy making. Or, at the other extreme, you might look for one or two big international funders – a policy that can make you dependent on people and decisions made in another country.

If you have members or supporters, you could decide to look for funds for small concrete activities, e.g. the salary of a counsellor, money for visual aids, or money for a workshop.

To attract donors, you might decide to look for short-term projects with clear objectives, which contribute to the independence of the NGO.

Another strategy is to look for money sources from within the NGO itself, e.g. income generating activities. With health care projects, patient charges can be made for consultations and treatment (allowing for the financial capacity of the patients). Schools can charge fees. Other projects can produce income from saleable articles like water, handicrafts or agricultural products. Although these funds will never cover all project expenses, they are important in your planning and also in building the self-sustainability of your projects.

EXAMPLE: *An NGO in East Africa, in a country with a lot of AIDS, has purchased a hearse that is hired by neighbours for funerals. The income is small but steady.*

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- Set up a fundraising committee, with clear job descriptions (responsibilities, tasks).
- Hold a funding workshop.

EXAMPLE: A WORKSHOP ON FUNDRAISING FOR A HUMAN RIGHTS NGO IN LESOTHO

This NGO (CLRAC) organised a Workshop on Fundraising for both staff and Board Members. Together, over three days, the participants worked through the following:

- *a brief evaluation of fundraising by CLRAC in the past years plus conclusions;*
- *how to plan the funding needs for CLRAC and set realistic objectives for the following two years;*
- *development of a fundraising strategy, including: planning/timing of projects and CLRAC organisational costs in need of funding;*
- *capacity assessment in CLRAC to conduct fundraising; how to build in fundraising capacity; human resources development and organisational development;*
- *how to target donors, both local and international – and what their requirements are;*
- *how to write a proposal for project funding;*
- *an outline for financial reporting;*
- *a plan to write a Strategic Planning document for implementation of fundraising by CLRAC;*
- *meeting with a Maseru-based donor representative.*

Because the Board members and staff followed the Workshop together, a feeling of commitment and co-working also developed; the Strategic Planning Document got written and some money has been raised.

- Periodically monitor all fundraising activities.

2 The planning of a project

There is more information about planning a project – the first stage of the project cycle – in Chapters 3 and 4 of *How to Build A Good Small NGO*.

2.1 Developing a good idea into a draft project proposal

Here are the steps:

- 1) Someone suggests that there is a need for a certain project. The idea is discussed with all key players – the NGO staff, the board, community members, other NGOs in the neighbourhood and in the same field.
- 2) A group is formed within the NGO to develop the idea into a concept paper.
- 3) A possible location for the project is identified.
- 4) A Needs Assessment is designed and carried out. This will make sure that the need is there and is more serious than other problems in the location.
- 5) The group developing the project produce a project proposal and circulate it. It would include a rough budget.
- 6) At this point, the Director and Board of Trustees would need to commit to the development of this project and finding the funds.
- 7) If a fundraising committee already exists, it is now asked to start working to find the money for this particular project

2.2 Making the project proposal good enough for consideration – good enough to start work

At the same time as the fundraisers go to work, the planners in your NGO keep working on the project proposal, perhaps with a modified smaller version that can be started even if major funding does not come through. Steps to take include:

- 1) Collecting and organising the information gathered in the Needs Assessment.
- 2) Circulating the findings of the Needs Assessment within the NGO.
- 3) The planning group discuss with the Advisory Committee the findings of the Needs Assessment and the notes of its previous meetings.
- 4) A preliminary programme design is made that answers the following essential questions: what? where? why? how? when? how much? The design describes why the project is needed, the goal, the objectives, its location, the

beneficiaries, its duration, construction /renovation, expected results against a schedule of activities, job descriptions and reporting.

- 5) The design includes an appropriate form of monitoring with a schedule.
- 6) An evaluation is designed as an internal or external assignment.
- 7) The tasks of writing the various parts of the proposal are assigned.
- 8) An itemised budget is drafted; it reflects each activity and administrative expenditure.
- 9) A monthly projected distribution of costs is written, reflecting each activity including administration.
- 10) The preliminary proposal is completed and edited.
- 11) The completed proposal is given to all those involved, read and commented upon and the comments discussed.
- 12) The proposal is approved by the Board of Trustees.

2.3 Getting the NGO ready to start work

Once the project proposal is as good as it can be, the NGO has to gear itself up by re-assessing the plan. This is done through the following 13 steps:

- 1) The planning group meet with the head of the institution and other collaborating institutions to review how far the planning has advanced.
- 2) The group outlines a plan for organising and implementing the proposed project.
- 3) The need for and use of staff for the proposed project is analysed.
- 4) The priorities of the project in terms of its purpose and services are discussed and agreed on.
- 5) The condition and use(s) of the proposed location are re-assessed.
- 6) The procedures for purchase, maintenance and preservation of materials/commodities for the proposed project are discussed and agreed on.
- 7) A plan for the recruiting and keeping of staff and community participants is outlined.
- 8) Staff and community support systems are discussed.
- 9) Reference materials are identified and assembled.

- 10) Procedures for paying staff, their Conditions of Service and tax payment are agreed on.
- 11) Candidates for leadership position(s) are identified.
- 12) The responsibilities of the project's management office are agreed upon:
 - a) location
 - b) office operations
 - c) personnel
 - d) staff training
 - e) management and financial accountability
 - f) medical benefits
- 13) The accountability to the funder and/or to any parent organisation, in terms of project and finances, is agreed upon.

3 Finding money for a project

3.1 Accepting the mind-set that will help you succeed

Your NGO has to accept that there are no quick fixes, no magic shortcuts. If the unique and special nature of your NGO is reflected in your Mission Statement, this will help.

3.2 Finding the agencies with funds

Research on any funder's stated programme interests is essential. Do not attempt a scatter approach, sending requests to a wide group of organisations. It can damage your organisation's credibility. You are trying to identify the few funders that have interests that are in line with your organisational and project objectives. If you do not qualify, do not apply. Many funding agencies now have web sites so look them up and see what they say.

Funder research is a two-step process. The first step aims to develop an initial 'prospect' list of some ten to fifteen funders who have general interests in the subject area of your organisation or project. The second step involves further research and refines this list to the three or four funders you may approach.

Sources for funding can be found within your country as well as abroad. As stated earlier, a choice for many small local contributors means that you are growing local roots and a local constituency; in return for contributions these people would wish for a voice in policy

making. Funding from local organisations has a number of advantages. The procedures are often easier to follow. And international donors want to know that local sources have been tried first. When applying for funds from abroad, the national registration of your NGO and formal approval of your project by your government is often necessary.

Locally, the main institutions to apply to for funds are:

- Local organisations – think of Rotary or Lions clubs, churches, temples, mosques, hospitals, local business associations, the 'rich' in your community etc.
- Government or District institutions

Funds are often available, especially if working in co-operation in the same field of interest. Think also of secondment of staff, use of their logistics etc.

From abroad, possible sources include:

- Voluntary funding organisations

These include missions, aid agencies and other groups, both religious and secular. Most of them are based in the North, in Europe, North America and Australia. Such groups are often interested in supporting smaller-scale development and health projects. A list of names can be obtained from national and voluntary organisations and from embassies.

- International Aid organisations.

These include the United Nations Agencies such as WHO, UNICEF, UNDP, FAO, the European Commission (EC), the World Bank (WB), and Asian Development Bank (ADB). However, they do not often support small-scale projects directly. Funds from these sources are more likely to be available via national umbrella organisations. It is worth finding out what their contributions to the government and to bigger NGOs in your country are. This information will be available from your government (ministry) or from local UN and EC delegations etc.

- Foreign Embassies.

They often have funds available for small-scale projects. (For example, Dutch Embassies have special funding sources for so called KAP projects. From these sources they can give direct support to projects with sums up to \$20,000. Special procedures/criteria need to be followed).

3.3 How to apply for funds

- 1) Select your funding source. Try to get as much information as possible about the ins and outs of that organisation, its procedures for application and so on. Find out which person to approach within the organisation, so you can address them personally. This works best via mutual contacts.

- 2) Write a letter using your personal title to the person dealing with funds. Introduce yourselves in the letter and give a brief explanation of your organisation, its objectives, and your intentions with respect to funds. Ask for the procedures you need to follow. Always make a copy of your letter to keep. If your source is local, give the person you addressed a phone call about one week after you mailed the letter and ask if it was received. This is not only to make sure that the post is working, but it is also an excuse for exchanging more information. Personal relationships are very important in fundraising. By making a phone call, you get a chance to find out the kind of person they are and to show your own involvement and motivation.

If you are approaching an international donor, follow your letter up with an e-mail message if possible, just to make sure that your application has been received and again to show your own motivation.

- 3) While waiting to find out the procedures to follow, you can prepare the information the donor will likely want to know. Most will expect brief details of the following:
 - Aims and objectives of your organisation.
 - Details of the target population
 - Number of people/villages you want to reach
 - Social structure of the communities, including details of local employment, income levels, high-risk groups etc.
 - Details of the project area, its location, terrain and climate.
 - Your relationship with other organisations e.g. other NGOs and the Government and your intended co-operation with them.
 - Names and qualifications of your staff members
 - General plan of the implementations of your activities.

- Budget:
 - Include a budget for the first year.
 - Estimate expected funds from other sources.
 - Be concrete about the funds you are asking for.
 - Include in your budget items that are essential, but do not ask for expensive or unnecessary equipment.

Donors are in general more interested in project costs (implementation of activities) than in organisational costs (overhead costs – costs for telephone/fax, e-mail, postage, electricity bill, etc.). For that reason, always include an item line for overhead costs when submitting a project proposal. UNICEF admits to 14%, but 10% is more reasonable for a very small organisation. However some donors do not like paying much towards this line. In that case, find out the donor's policy on overheads and adjust the proposal accordingly.

You also need to discuss a contingency line with the donor. This means allowing some money for the possibility of plans going wrong. A post-disaster project, for example, may face inflation, fluctuating exchange rates, hikes in the prices of essential raw materials etc. The project can soon be way over budget. An allowance of 'unforeseen' of 5 to 6% is normal in every proposal.

- 4) If you follow all the guidelines and still your organisation does not get the grant it needs, remember that the funding agency has a hundred applications for every slice of money. Citizens Associations are increasingly turning to the independent funding community to assist their work and consequently the number and quality of projects – and their accompanying grant proposals – are increasing. So do not take the rejection personally. Around 90% of all proposals fail so do not be put off: you can learn from failure! Write a brief letter or email to the funder asking the reasons for the rejection. The answer may suggest how to improve the proposal, or even request an improved resubmission.

3.4 Co-operating with funding organisations

Building a good, trusted relationship with your donor is very important. Often, co-operation is not easy. The donor asks for long and complex reports, and transfers of funds are often delayed.

Communication problems are common due to misunderstandings on both sides and because of postal delays. Don't forget that donors are dependent on their own supporters, who in turn will expect reassurance that their money is being well spent.

Ways to improve co-operation are:

- After receiving funds, write a letter of acknowledgement and thanks.
- Send regular reports as requested by the donor.
- Prepare accurate budgets, and keep costs as low as possible.
- If two or more donors are supporting your project, then the area of support should be clearly defined and communicated.
- Encourage the donors to share a single global report and accept each others' tour reports to reduce the amount of time you spend on their requirements.
- Always give feedback to the donor on how the money was spent.
- Always stick clearly to the objectives of your NGO.
- If there are any major changes of plan, inform your donor.
- Welcome visitors from your donor agencies.
- Try to reply promptly to letters from your donor.
- **BUILD A RELATIONSHIP OF TRUST**