FACILITATING FINANCIAL SUSTAINABILITY

SYNTHESIS REPORT

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KEY FINDINGS

1 Financial sustainability is a critical but highly under-resourced issue for CSOs.

Across the 6 countries included in the research, grants identified as supporting financial sustainability represented only 5 percent of overall grantmaking benefiting those countries, despite being universally identified as a key challenge to CSOs achieving their mission.

2 Social capital is an enabler for local organizations, especially in difficult environments.

Social capital can take many different forms, but the analysis of interviews with CSO representatives revealed that support from local community members s a critical but often-overlooked enabler of sustainability. This type of social capital can be built by proactively engaging local communities in all stages of projects and services, and by being timely and visible with the engagement.

3 Small pools of unrestricted funding can be critical for organizational resilience.

Across all the country contexts, CSOs discussed critical points in their history during which a relatively small amount of unrestricted funding proved critical for their resilience in the face of a severe resource shortage; yet general support grants to local CSOs only account for 3 percent of the overall funding for the six countries included in the study.

4 Local funders and intermediary organizations play an important but often overlooked role in CSO sustainability.

Local intermediaries (organizations based in the country or region that receive grants to support other organizations or networks in the region) and other local funders play important roles in mobilizing resources, understanding local sustainability challenges, and advocating for policy change to improve the enabling environment. Funding for and by these organizations is still limited and represents an unrealized opportunity to improve/strengthen the enabling environment.

5 Support and strategies for financial sustainability varies significantly by sectors.

Organizations involved in advocacy efforts such as human rights are much more likely to receive support targeted to financial sustainability, while organizations providing services to constituents tend to have more success with social enterprise development. Sixty-nine percent of financial sustainability funding across all six countries was for roganizations focused on human rights.

6 Technical capacity is an important driver of financial sustainability, and can be a powerful tool for cultivating other key organizational qualities.

Organizations reported that technical capacity (in the form of internal systems and processes) helps them deliver better results, but also help sthem to attract and maintain funding. Furthermore, combining support for projects with support to improve technical capacity is effective – but often happens only when the CSO explicitly requests it from their donor.

7 Organizational culture supports resilience to external shocks.

Organizational culture, in particular the passion and commitment of staff to the organization, is necessary for organizations operating in difficult or unstable environments. Investing in staff support and skills development is often a way to develop that type of strong culture.

8 Non-financial resources and assets can be just as important as financing in developing long-term sustainability.

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

Volunteer from Kapamagogopa Inc. speaks to people living in an IDP camp in Mindanao, Philippines
Peace Direct/Megan Renoir

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Cover photo: CRC team in North Kivu, Democratic Republic of Congo.
Peace Direct/ Greg Funnell

Back cover photo: Henri Ladyi talks during a CRC visit to the 'Peace Market' they helped set up in the village of Kilya. North Kivu, Democratic Republic of Congo.
Peace Direct/Greg Funnell

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LIST OF ACRONYMS

ab2cd	Philippine Alternative Bridge to Community Development
ALG	Action Learning Group
ARLPI	Acholi Religious Leaders Peace Initiative
BiH	Bosnia & Herzegovina
BUILD	Building Institutions and Networks
CSO	Civil society organization
CVPD	Coalition des Voluntaries pour la Paix et le Developpement
DRC	Democratic Republic of the Congo
ECD	Early childhood development
FCFN	Fundación Comunitaria de la Frontera Norte
FEM	Fundación para la Educación Multidimensional
FFS	Facilitating Financial Sustainability (USAID-funded activity)
fsQCA	Fuzzy-Set Qualitative Comparative Analysis
HURIFO	Human rights focus
ICNL	International Center for Not-for-Profit Law
ILSB	Instituto de Liderazgo Simone de Beauvoir
INGO	International non-governmental-organization
JOCHADEV	Jeunesse a l'oeuvre de la charite et du development
NGO	Non-governmental organization
ODI	Overseas Development Institute
PCS	Philanthropy Classification System
QCA	Qualitative Comparative Analysis
UKA	Un Kilo de Ayuda
USAID	United States Agency for International Development

DISCLAIMER

This report is made possible by the generous support of the American People through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of LINC, Peace Direct and Foundation Center, and do not necessarily reflect the views of USAID or the United States Government.

Two men work to off-load supplies for local IDP camps in Mindanao, Philippines
Peace Direct/Megan Renoir

INTRODUCTION

Financial sustainability remains a critical challenge for civil society organizations (CSOs) around the world. Although a variety of toolkits and research papers exist examining specific sustainability strategies[1], many CSOs continue to struggle to develop and maintain the resources they need to carry out their missions. This constraint limits organizational autonomy by inhibiting long-term planning and flexibility in designing and implementing activities. Financial sustainability is also a key piece of the puzzle to empower local organizations to take greater ownership of the development process, as a robust resource base provides the resilience needed for organizations to experiment with new models that reduce long-term donor dependence.

The *Facilitating Financial Sustainability* (FFS) program was launched in 2017 to develop and test ways that different actors (including donors, policymakers, intermediary organizations, and CSOs themselves) can work together to improve the factors that drive local organizations' financial sustainability in different development contexts. As part of the United States Agency for International Development (USAID) Local Works program, FFS uses a combination of research and on-the-ground testing of approaches to improve local organization financial sustainability to support the Local Works goal of enabling local communities to drive their own development. FFS is jointly implemented by three consortium organizations: LINC, Peace Direct, and Foundation Center.

The FFS research series examines the factors that underlie successful CSO financial sustainability approaches for organizations in six countries: Bosnia and Herzegovina (BiH), Colombia, Democratic Republic of Congo (DRC), Mexico, Philippines and Uganda. Combining qualitative analysis from in-depth interviews with CSOs and funders, as well as a first-of-its-kind quantitative analysis of thousands of grants supporting financial sustainability, the research series considers effective strategies and approaches for organizations interested in improving CSO sustainability. The research represents the first phase of the FFS activity. The second phase will take insights from the research and put them into practice in three country contexts by developing "Action Learning Groups" (ALGs) – coalitions of local stakeholders interested in collectively identifying and implementing opportunities to improve the local conditions for CSO financial sustainability in their context.

This paper synthesizes the findings from the analyses of both funders and CSOs. This represents one part of the three-part FFS research series, and is best considered alongside the other two papers in the series to give a holistic perspective on CSO financial sustainability: *Funder Approaches to CSO Sustainability,* which includes a deep-dive analysis of the landscape of strategies used by funders interested in supporting sustainability, and *Understanding Factors Driving CSO Financial Sustainability,* which lays out the full findings from interviews with representatives from more than 30 CSOs.

For more information about the activity, please see http://sustainability.linclocal.org

METHODOLOGY AND LITERATURE REVIEW

The FFS research series addresses the overarching question: *What factors are particularly conducive to local CSO financial sustainability, allowing local organizations to take ownership of the development process, and what can different actors do to improve these factors?*

To answer this question holistically, we carried out two lines of inquiry: one with the CSO as the analytical starting point, and one with the funder as the starting point. These lines of inquiry combine qualitative and quantitative methods, each providing a unique way of examining sustainability from a particular lens that when taken together provide a full picture of approaches to supporting sustainability.

The six countries (BiH, Colombia, DRC, Mexico, Philippines and Uganda) were selected for the study based on various factors. Primarily, we aimed to include a breadth of contexts in terms of geographic diversity, level of economic development, and stability to understand how drivers of sustainability might differ depending on context. To help narrow selection, we also focused on countries which had sufficient data available for analysis within Foundation Center's Grants Database (the source of data for the accompanying funder analysis). The final selection of countries was made according to the level of interest for participating in the study displayed by local stakeholders, including USAID and CSO representatives. In total, across all six countries, the research consisted of interviews with over 120 individual stakeholders and data from approximately 1,800 grants. This resulted in two deep dives into the funder and CSO analyses and a final synthesis of key cross-cutting results, covered in this paper.

Overall Research Approach

1 A Qualitative Comparative Analysis (QCA) and overall examination of common themes across semi-structured interviews with CSO representatives to understand the factors identified as critical drivers of sustainability in different contexts. The QCA approach provides a helpful way to structure qualitative case data into meaningful insights by examining how different combinations of factors can lead to the same outcome. QCA is particularly well-suited to examining drivers of sustainability across different contexts because it acknowledges the complexity of this topic and does not presume there is one "path" to financial sustainability, but rather many different "recipes" that combine various internal and external factors to drive success. This is combined with an overall analysis of notable themes that emerged from the interviews.

2 A quantitative analysis of the grants that support financial sustainability in each of the six countries, culled from Foundation Center's database of over 7 million grants awarded by grantmaking foundations,[2] combined with qualitative interviews with a subset of these funders. The quantitative analysis provides an overall perspective on which funders are supporting financial sustainability, what strategies funders are using to support financial sustainability, and what types of CSOs are receiving financial sustainability support. The interviews provide insight into the approaches and strategies of funders identified as supporting CSO financial sustainability and identifies key lessons from the work of these funders.[2]

CSO FACTOR ANALYSIS METHODOLOGY

Case Selection and Interviews

Based on referrals from CSO sector experts and preliminary interviews with CSO representatives to understand their organizational sustainability models and experiences, we identified at least five local organizations in each of the six focus countries with both a strong financial sustainability record (using the definition outlined in Appendix 1) as well as effective practices in serving their communities.[3]

These organizations were deliberately selected to represent a range of sectors, sizes, and types, with organizations ranging from large national-level organizations with annual budgets in the millions of dollars to small community-based organizations with almost no financial funding at all, and in sectors ranging from health service delivery to political advocacy. Organizational funding sources were also considered to ensure that the analysis did not focus on a set of so-called “international donor darlings” that are already well-known by the international funding community and that organizations with at least some notable non-international funding sources were prioritized. It is important to note, that these organizations should not be considered a representative sample of CSOs, as they were selected for specific characteristics useful for this particular case study method of analysis. However, given the range of organization types and background represented in the sample, we believe that the experiences of these CSOs provide valuable and transferrable lessons to organizations across a variety of contexts.

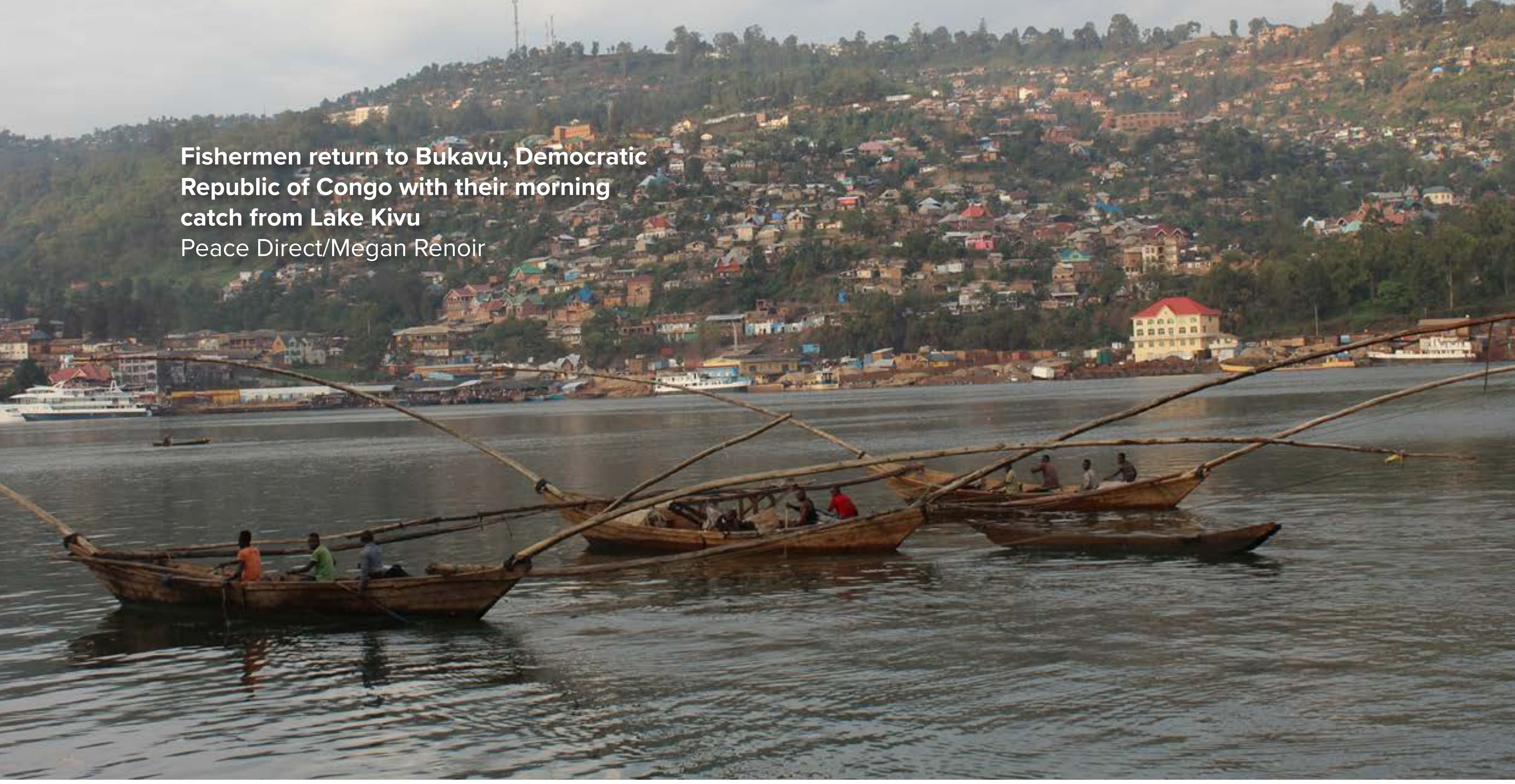
We then conducted semi-structured interviews with representatives from each organization (generally totaling 2-8 hours of interviews per organization; see Appendix 2 for a full list of interviewees). Each interviewee received an overview of the research objectives and signed a consent form allowing his or her interview to be used in the analysis and report. These interviews were designed to probe respondents’ perception of the most important drivers of their own organization’s success in developing a strong financial sustainability model, as well as challenges to their organization’s continued sustainability.

Analysis

After conducting the interviews, we undertook a coding process to allow for analysis using the QCA method. This process did not start with a pre-developed set of codes; rather, after going through the interview transcriptions, we created a set of codes to represent the themes that emerged as common points of interest across interviews. In the end, a coding frame consisting of 25 different factors or themes associated with financial sustainability were identified.

Based on the coded data, we used QCA-specific software (called fsQCA) to identify common combinations that illustrate important insights into how different drivers of sustainability may be significant in combination with one another and in specific contexts. This analytical method is premised on the idea that factors are often interdependent; and thus, it is useful to understand how different combinations of factors can lead to a similar outcome. For example, two organizations may each have strong financial sustainability models but due to differences in their revenue strategy and operating environment, may not have the same need, for example, for a Board of Directors that is actively involved in fundraising. The QCA methodology tests all the different possible combinations of factors across all cases to identify the different combinations that appear across multiple cases. After identifying these different factor combinations, we revisited the interviews to understand why a given combination of factors seemed particularly powerful and how organizations had developed models to capitalize on those factors.

At the same time, we looked at overall commonalities of codes across the entire dataset to identify any other themes that may be important to consider alongside the groupings identified in the QCA. This ensured that important insights were not lost simply because they did not emerge using the QCA methodology. After identifying these overall themes, we again revisited the interviews to understand how different organizations managed to develop models that consider these points to establish strong sustainability.



Fishermen return to Bukavu, Democratic Republic of Congo with their morning catch from Lake Kivu
Peace Direct/Megan Renoir

FUNDER ANALYSIS METHODOLOGY

Philanthropic institutions and other funders want to see the organizations they support succeed and have a demonstrated impact on the issues that they care about. While impact is at the center of most strategic funding decisions, organizational financial sustainability is a means to ensure continued impact. Increasingly, however, funders' interest in supporting the financial sustainability of their grantees goes beyond a desire to sustain impact and is more fundamentally about addressing an existential need – in the context of closing space for CSOs and the proliferation of domestic laws restricting foreign funding, a strong ecosystem of local organizations and grassroots movements is critical in fulfilling any type of philanthropic goal. With this context as backdrop, international and local funders are feeling the pressure to solve the mysteries of CSO financial sustainability and are grappling with questions about their role in supporting this process.

The funder analysis explores how grantmaking foundations[4] support local CSOs to improve their financial sustainability in the six countries included in the study. The analysis combines insights from the social sector literature on financial sustainability with detailed analysis of funding data in Foundation Center's database and interviews with funders supporting local CSOs in each country. The objective of the analysis is to examine the landscape of financial sustainability funding and share lessons from funders who are already supporting local organizations to improve their financial sustainability.

Based on a review of more than 60 nonprofit publications and research reports, we discovered three primary strategies by which funders support CSOs to improve their financial sustainability: general support[5], capacity building[6], and network building (see the following Literature Review section for more details on each of these).

The three funder strategies identified in the literature served as the conceptual reference point for identifying grants awarded in support of CSO financial sustainability in each of the six countries included in the study and used to develop search strategies. First, the three strategies from the literature were matched with codes in the Philanthropy Classification System (PCS) and supplemented with a search for grants containing specified keywords (e.g. "financial sustainability").[7] The initial datasets generated using this search strategy were then manually reviewed for consistency with the conceptual framework for inclusion in the final set, according to instructions laid out in a detailed codebook.[8] These reviewed country datasets form the basis of the analysis on the funding landscape for financial sustainability of CSOs in each country. This allowed us to identify 1,790 grants awarded by 148 funders, totaling $115.8 million in support of financial sustainability across all six countries from 2012 to August 2017. This represented approximately 5 percent of overall grantmaking benefiting these countries during the same time period.

The grants data analysis explores the extent of grantmaking in support of local CSOs' financial sustainability in each country and identifies the primary funders and key stakeholders within the landscape of financial sustainability funding. Further, it examines some of the key characteristics of financial sustainability funding, such as overlapping issue area and population focus, and the extent to which funding for financial sustainability is locally driven.

We also conducted interviews with staff from 12 foundations that support local CSOs' financial sustainability in one or more of the six countries, including both local and international funders. Conversations with funders allowed us to explore how funders think about the financial sustainability of the CSOs they fund and more concretely what that support looks like in practice. Other key questions discussed in interviews with funders included: how funders assess the impact of their support for local CSO financial sustainability, external and internal challenges and barriers to funding financial sustainability, as well as how funders seek to overcome those challenges.

LITERATURE REVIEW

Literature on CSO Financial Sustainability Strategies

While there is currently a substantial body of existing knowledge around CSO financial sustainability, large gaps remain regarding which key factors are involved in enabling success on a systemic level. This section provides a brief introduction to existing arguments on CSO financial sustainability. Additionally, this section highlights the importance of conducting further research on this topic and the practical applications of policy-relevant insights produced by the FFS activity.

There is a tendency within the development sector for CSOs to form an overreliance or dependence on external funding streams, thus putting themselves in a vulnerable position in the case of donor withdrawal (Sontag-Padilla et al. 2012). Despite knowledge of this risk, a multitude of factors inhibit the ability of local organizations to acquire financial support beyond donor aid. Specifically, CSOs face a diverse range of contextual factors in their environment which challenge their capacity for strengthening financial sustainability. Social stigma, poor economic conditions, restrictive government regulations, lack of local culture of philanthropy, taxation regimes, competition between CSOs, and lack of access to skilled labor, all limit the ability of a CSO to operate independently (VanSant 2003; Leon 2001; Dharmapala and Khanna 2016). Furthermore, internal dynamics such as organizational culture, management capacities, internal governance structures, and financial planning mechanisms can severely impact an organizations' ability to build financial sustainability (Lewis, 2017; Muriithi 2014; Omeri 2015). Recognition of these issues has led to a wide range of studies exploring the various methods CSOs can employ to overcome systemic challenges and improve their sustainability.

Amongst these methods, diversification of revenue sources is considered key to ensuring financial sustainability and is by far the most cited approach within literature (Omeri, 2015; Froelich 1999; Gras and Mendoza-Abarca 2012; Holloway 2001; Leon 2001). Authors advocating diversification argue that sustainability can be achieved through acquiring a multitude of external and domestic funding sources, ranging from donor support to alternative approaches, such as social enterprise models, private businesses, the corporate sector, microcredit and social investments (Gras and Mendoza-Abarca 2012; Holloway 2001; Froelich 1999; Leon 2001). However, there is evidence that utilizing multiple distinct funding sources leads to greater costs and additional administrative burdens, which may be beyond the capacity of smaller CSOs to manage (Carroll and Stater, 2008). Through practical experience, both LINC and Peace Direct have observed that the factors for successful diversification and financial sustainability are highly dependent on the characteristics of the organization itself and the context within which the CSO operates.

There is increasing evidence that internal dynamics and mechanisms of a CSO may also determine their capacity to be financially sustainable. For instance, when an organization has sound administration and robust financial and strategic planning, they are far more likely to be financially sustainable than they would be without these characteristics (Leon, 2001). Transparent reporting though strong monitoring and evaluation or financial systems is also linked to maintaining strong donor relationships, and thus reinforces the capacity to acquire additional funding in the future (Ebrahim 2005). However, reporting mechanisms have also been tied to negative impacts on CSOs, for example cases where M&E reporting supersedes the importance of the intended project and organization longevity suffers as a result (Jaysekera and Soobaroyen 2017).

The clear challenge to CSOs developing their financial sustainability is to understand which strategies are most likely to succeed given their organizational strengths and their local context...

Numerous manuals and training courses exist that attempt to support CSOs to increase their financial sustainability through these approaches; however, these resources tend to be generic and only broadly cover budgeting, planning, and some variation of the multiple approaches to resource diversification. Furthermore, these materials often fail to create change because they are not always relevant to the local realities of CSOs and do not provide guidance on navigating the systemic constraints to their implementation. For example, these resource materials may not be relevant when the legal framework does not allow for certain types of CSO income generation, or in locations where there is no culture of philanthropy. The clear challenge to CSOs developing their financial sustainability is to understand which strategies are most likely to succeed given their organizational strengths and their local context; however, there is currently a dearth of research discussing how this can be done.

Literature on Funder Strategies to Supporting Sustainability

To identify funder strategies associated with support for CSO financial sustainability, we reviewed more than 60 nonprofit publications, including research studies, literature reviews, evaluations, and other reports focused broadly on funders' support strategies and more narrowly on support for financial sustainability. The literature was primarily sourced from IssueLab, a database of more than 23,000 publications from more than 5,900 nonprofits and foundations. Three primary funder strategies in support of CSO financial sustainability emerged from the literature: capacity building, network building, and general support.[9]

Capacity Building

In the broadest sense, capacity building refers to investments or activities aimed at increasing effectiveness (Bokoff and Pond 2015). Funders' support for capacity building can help CSOs improve their financial sustainability, in particular when that support is focused on building capacities that contribute to overall organizational effectiveness (See for example: Bell, Masoka, and Zimmerman 2010; Bokoff and Pond 2015; Buechel and Handy 2007; Burd and Kotloff 2012; Claussen 2012; David 2002, De Vita, Fleming, and Twombly 2002; Draper 2000; Forbes Funds 2005; Fox, Hedge, and Nico 2009; Goggins and Howard 2009; Grantmakers for Effective Organizations 2008, 2015a, 2015b; Little and Weiss 2008; Vallarta Institute 2014). This can include a broad range of support, such as for organizational infrastructure, operations, governance, evaluation, fundraising, fund development, and financial management.

More targeted forms of capacity building support, such as for individual staff for leadership development can also contribute to strengthening organizations' financial sustainability (David 2002; Goggins and Howard 2009; Hawaii Community Foundation 2009; Jagpal and Schlegel 2015).

Capacity building support focused on increasing the effectiveness of a program does not necessarily improve organizational effectiveness or financial sustainability (Bell, Masoka, and Zimmerman 2010; Goggins and Howard 2009). However, while they are often considered from different vantage points by funders and CSOs, programmatic and financial sustainability cannot be viewed separately. As such: (see quote)

> **"it's not enough to have a high-impact program if there is no effective strategy for sustaining the organization financially. And neither is it enough to be financially stable: we build our organizations for impact, not for financial stability"**
>
> -Bell, Masoka, and Zimmerman 2010, p. 3

Network Building

Social impact networks can be thought of as being "comprised of relatively autonomous actors, who are either pursuing individual goals within a shared system or working in concert to address complex social problems" (Muoio, Rimland, and Terry 2015, p. 9). The benefits of a networked approach to social impact is well documented (see for example: Galaskiewicz and Bielefeld 1998; Hanleybrown, Kania, and Kramer 2012; Kania and Kramer 2011; Fine and Jacobs 2014; Fine and Kanter 2010; Muoio, Rimland, and Terry 2015; Plastrik Taylor and Cleveland 2014; Waddell 2011).

There is evidence to suggest funders may be uniquely positioned to facilitate and support social impact networks (Bartczak 2014; Bigham, Karmali, and Rundle 2016; Fine and Jacobs 2014; Muoio, Rimland, and Terry 2015) and that funders' support to networks and movements can strengthen financial sustainability of organizations within the network (or the network itself). For example, funders can lend legitimacy to organizations within the network, attracting additional funding from other donors. This is especially important for organizations that are part of new or expanding networks and that are not already connected to funders outside their existing networks (De Vita, Fleming, and Twombly 2002, p. 22; Muoio, Rimland, and Terry 2015, p. 56; Scearce 2011, p. 8).

Funders can also strengthen CSO financial sustainability through non-financial support to networks and movements. They can use their convening power and central position within the social sector to attract attention and support to member organizations' work, to facilitate peer learning, knowledge sharing, collaboration and joint fundraising, and to build relationships and trust within and between networks; thereby growing organizations' social capital and improving their financial sustainability (Bartczak 2014; Burd and Kotloff 2012, p. 3; Grantmakers for Effective Organizations 2013a, p. 27; 2013b p. 12; Little and Weiss 2008, p. 21; Muoio, Rimland, and Terry 2015, p. 33).

It is important to note, that funders' support for network building is less likely to have the beneficial effects mentioned above if funders exert too much control over the network, steering it in a direction that primarily serves their own interests (Easterling 2013; Grantmakers for Effective Organizations 2013b p. 5; Kania, Hamilton, and Senge 2015; Pastor, Rosner, and Ito 2011; Ryan 2014).

General Support

General support, for the purposes of this research, refers broadly to unrestricted funding as well as core support for the day-to-day operating costs of an organization or to further its general purpose.[10]

One of the main barriers to financial sustainability for CSOs is the inability to cover core operating costs, such as rent, staff salaries, equipment, and training due to their reliance on short-term project-based funding.

When donors award general support grants to CSOs to cover core costs, in combination with long-term support grants, it gives CSOs the stability they need for sound financial management and planning. Additionally, it allows them the flexibility to be innovative, nimble and responsive to local community needs – all necessary components of financial sustainability. The benefits of providing general support over time are well documented (see for example: Bartczak and Woodwell 2008; Buechel and Handy 2007; Burd and Kotloff 2012; Goggins and Howard 2009; Grantmakers for Effective Organizations 2008, 2015a; House and Krehely 2005; McCray 2012).

The number of funders embracing this support strategy remains low, only about 20 percent of grant dollars are awarded by US foundations for general support (Grantmakers for Effective Organizations 2011, p. 5; Woodwell and Bartczak 2008, p. 2), despite the fact that donors are aware that providing long-term general support is a more sustainable funding model than short-term project-based funding (Woodwell and Bartczak 2008; House and Krehely 2005; Weingart Foundation 2012). The reasons for this vary and general support is still a subject of debate among funders. Some funders cite the difficulty of measuring the impact of general support grants, risk of donor dependency, or the need for competition (House and Krehely 2005). Funders also consistently underestimate the true cost of impact, leading to a vicious cycle where nonprofits underreport or underinvest in their core operations, thereby further feeding funders' unrealistic expectations (Goggins and Howard 2009). Additionally, funders do not necessarily weigh the choice to award general support in either-or terms. For example, funders disagree on the extent to which general support should be coupled with targeted support for capacity building to ensure that funds are directed toward strengthening the core capacities of the organization (Bokoff and Pond, p. 6).

Woman living in an IDP camp outside of Marawi, Philippines, shows off her garden after reciving agriculture training from Kapamagogopa Inc.
Peace Direct/Megan Renoir

FINDINGS

This section covers the findings that emerged across the interviews and grants data analyses, organized around eight key themes. Each finding includes data from the grants analysis and interviews, examples of how different organizations approached sustainability issues relevant to the findings, and implications for organizations interested in improving CSO financial sustainability.

1 FINANCIAL SUSTAINABILITY IS A CRITICAL BUT HIGHLY UNDER-RESOURCED ISSUE FOR CSOS

Across the six countries included in the research, the grants identified as supporting financial sustainability represented about 5 percent of overall grantmaking awarded to benefit these countries during the same time period. This proportion ranged from 3 percent of funding for Uganda and Philippines to almost 25 percent of funding for BiH.[11] Given how broad the inclusion criteria were – all general support grants to local organizations, as well as all grants coded for network building, leadership development, and capacity building or containing relevant search terms where the grant clearly benefited the financial sustainability of a local CSO – this low percentage demonstrates an overall lack of investment by foundations in the long-term sustainability of local organizations.

Interviews with CSOs across all six countries confirmed the lack of intentional and dedicated support for organizational financial sustainability. While funders often demand that CSOs develop sustainability plans for projects, there is rarely financial or non-financial support for these organizations to improve their own long-term sustainability, with nearly all support instead being strictly tied to program-related activities. This is particularly an issue in environments experiencing a shrinking space for civil society, such as Uganda, DRC, and the Philippines. Nearly all organizations interviewed in these countries indicated that organizational sustainability tends to be a secondary concern for funders; as a representative from FIDA Uganda stated, "in general, there just aren't donors who are interested in helping to build the assets to become sustainable, [and] the biggest donors are hardest to convince."

Set Totals for Financial Sustainability Data by Country, 2012-2017

Country	Total Amount for Financial Sustainability	Total Amount Overall	% (Financial Sustainability as a proportion of Overall)
BiH	12,353,836	37,390,040	24.8
Colombia	14,448,072	214,072,998	6.3
DRC	9,899,382	260,245,587	3.7
Mexico	46,454,016	823,941,436	5.3
Philippines	10,106,965	303,145,579	3.2
Uganda	22,504,758	677,192,515	3.2
Totals	$115,767,029	$2,315,988,155	4.8

However, the relative scarcity of support for organizational financial sustainability makes it more valuable when organizations can access this type of support. Interviewees across the board highlighted that in the case of funding for sustainability, a little can go a long way, and that more and more funders are slowly but surely beginning to integrate this into their support. The same FIDA Uganda representative noted that, "the thinking has started to shift" and they are seeing more and more grants with built-in institutional capacity building targeted at helping organizations become more sustainable. For example, FIDA Uganda specifically noted its support from the Ford Foundation, whose BUILD program is outlined below as a case in which an entire initiative is developed around long-term organizational development.

KEY TAKEAWAY

Intentional support for organization financial sustainability is a rare but critical resource to allow local organizations to carry out their missions effectively, providing a major opportunity for impact for funders willing to try flexible and deliberate sustainability support strategies.

Village in Mindanao, Philippines
Peace Direct/Megan Renoir

Staff member from FOCHI stands with individuals who lead and participate in various development projects in their community, Democratic Republic of Congo
Peace Direct/Megan Renoir

2 SOCIAL CAPITAL IS A CRITICAL ENABLER OF SUSTAINABILITY FOR LOCAL ORGANIZATIONS, ESPECIALLY IN DIFFICULT ENVIRONMENTS

The analyses revealed the importance of Social Capital, and in particular, Social Capital developed with the local community, as an "invisible resource" underlying long-term organizational financial sustainability. One group of CSOs that emerged from the QCA included organizations in challenging environments that identified local community Social Capital as a critical enabler of their resilience to the inevitable ups and downs of donor funding.

For example, in Uganda, the Acholi Religious Leaders Peace Initiative (ARLPI) faces constant challenges related to the short-term nature of much of their funding, with many grants lasting only six months to a year. However, after receiving a sudden windfall of unrestricted funding from winning the Niwano Peace Award in 2004, the organization used a portion of the funding to address an immediate community need for a borehole, even though this was not directly a part of any of their peacebuilding programming. By demonstrating a commitment to address the needs voiced by the community, ARLPI translated its prize funding into significant and long-lasting Social Capital with the community. This has allowed the organization to tap into community resources, such as support from local congregations, as well ensure that visiting international donors get positive feedback from the community on ARLPI's work and commitment. In DRC, Jeunesse a l'oeuvre de

> **"I cannot imagine the life of KI without the networks"**
>
> -Executive Director, Kapamagogopa Inc.

KEY TAKEAWAY

Social Capital, in particular in the form of support from the local community, can be just as critical to financial sustainability as more tangible resources and assets. Organizations can build local community support into their financial sustainability strategies by proactively planning to involve the community at every stage of its projects, and by dedicating resources to respond to community needs in timely and visible ways.

la charite et du development (JOCHADEV) has operated since 2005 with little to no external funding, likely as a result of being located far from any of the larger towns or cities in Eastern DRC that donors tend to fund. Despite this challenge, the organization has cultivated local Social Capital in a way that allows it to sustain itself through a base of local volunteers and community support. This approach is possible because of deliberate programming strategies. JOCHADEV involves the community in every stage of a project. This includes having community consultations to identify the most pressing needs of community members. As a result, the local community feels invested in the success of projects and of the organization and always provides support for project implementation when finances are low.

These CSO strategies are particularly powerful because they operate at the organizational rather than personal level, and as such, are not reliant on the personal connections of an individual organizational leader. So-called "founder syndrome," or overdependence on an organization's founder (or, more broadly, any one organizational leader) is especially salient when considering issues around Social Capital. Although a founder's personal connections may be an important aspect of Social Capital, undertaking programming strategies that develop Social Capital at the organizational level can ensure that this Social Capital is resilient to inevitable changes in leadership.

The grants data analysis and corresponding interviews with funders revealed network building to be a major strategy for helping organizations develop Social Capital for financial sustainability, with 17 percent of grants in the dataset incorporating a network development approach. However, funders often approach the idea of networks and Social Capital from a more movement-based perspective, with the idea that developing networks of likeminded organizations and individuals can lead to the knowledge-sharing, partnerships, and leadership development to allow not only individual organizations but also entire social movements to build long-term resilience.

The CSOs interviewed had generally positive experiences with networks, with over 80 percent of the organizations citing some form of network participation as a driver of their sustainability. However, some interviewees also noted that network organizations do not always end up building positive Social Capital and can in fact have negative consequences if they are built without a clear strategy for ensuring that they support, rather than compete with, local organizations. In Uganda, local networks set up by the international community to increase collaboration among local and international organizations have in some cases backfired, with the new network groups ending up using scarce resources that would have otherwise gone directly to local organizations, while providing relatively little long-term value.

KEY TAKEAWAY

Funders interested in supporting CSO financial sustainability can consider different ways to help build the Social Capital of their partner organizations including peer networks and leadership development; however, these should be developed with input from or ownership by local stakeholders to understand the existing competitive dynamics among potential participants.

STRATEGY SNAPSHOT: STRENGTHENING THE SUSTAINABILITY PROSPECTS OF GRASSROOTS WOMEN'S GROUPS BY CULTIVATING NETWORKS AND SUSTAINABLE LEADERSHIP[12]

Thirty-eight percent of funding for CSO financial sustainability is targeted specifically at groups working with women and girls, compared to just 19 percent of the overall funding for the six countries included in the study. Women's funds – philanthropic organizations that support grassroots women's, girls', and trans organizations and movements, and mobilize resources for and with them – were also represented among the top financial sustainability funders in all six countries. What about women's funds makes them more likely to support local CSO financial sustainability, and what can other funders learn from their sustainability-related grantmaking strategies?

Support for networks

Women's funds often support networks of women's groups and other allied groups working together in the belief that this will strengthen the effectiveness and sustainability of the movement. In Mexico, *Fondo Semillas* has started to make grants to "mid-level" organizations that can provide resources, networking and knowledge to the smaller groups. A more developed reproductive rights organization, for example, has been funded to help small groups working in the same field to develop organizational security protocols. Another organization working on legal advocacy related to women migrants has been funded to bring together different groups to meet with migration agencies. While this grant making is not explicitly focused on financial sustainability of individual organizations, it reflects women's funds' belief that "*sustainability is not just about financial resources, but the knowledge and connections that are shared across groups*".[13] This is consistent with findings from interviews with local groups which suggest that leveraging of Social Capital (relationships with other organizations, non-financial support from community members or partners, etc.) is an important contributor to their longer-term sustainability.

Cultivating diverse and sustainable leadership

In Colombia, *Fondo Lunaria* has focused considerable attention on management and leadership skills for young women-led groups. They work to build these groups' organizational capacity but recognize that "*it is a little like biology: young women's organizations change and mutate. We know that a young woman will not always be in (a particular) group. It could be that in two months it's another group, but if she can bring what she has learned, it's very important*".[14] In the DRC, FFC has similarly recognized the mutability of leadership and the importance of funder strategies to support capacity that may move among organizations. Each training opportunity they provide to grantees, whether on financial management or other topics, is offered to 2 or 3 people within the organization, not just the individual leader. Funder interviews suggest that both approaches can contribute to the resiliency of individual organizations and the movement as a whole and help mitigate the sustainability risks commonly associated with leadership transitions within CSOs.

3 SMALL POOLS OF UNRESTRICTED FUNDING CAN BE CRITICAL FOR ORGANIZATIONAL RESILIENCE DURING DIFFICULT TIMES

Across all country contexts, CSO representatives discussed critical points in their history during which a relatively small amount of completely unrestricted funding proved critical for their resilience in the face of severe resource challenges. In many cases, this funding did not come from institutional grants, but rather from a combination of sources scraped together: staff contributions, social enterprises or small side businesses like food or guesthouses, local membership programs, Board donations, collections from local religious congregations, and crowd-funding from online sources. Though generally small in amount, the complete lack of restrictions on this funding allowed organizations to put in place structures and activities to greatly improve their financial position and expand their impact.

Interviewees referenced a range of other methods for creating these pools of unrestricted funding:

- Organizations in nearly all countries used membership programs through which staff, volunteers, or local community stakeholders make regular contributions as part of their participation with the organization. For example, in DRC Coalition des Voluntaries pour la Paix et le Developpement (CVPD) require all staff, board members and volunteers to provide an annual membership fee to the organization, which ranges in amount but can be up to $100 USD and forms an essential 'back up' fund for the organization. This relies on the fact that CVPD has a deliberate volunteer-first strategy with an up-front expectation that participation with the organization is inherently mission-driven.
- FIDA Uganda has used contributions from members, staff, friends, and family to provide rapid response services to women with dire legal needs that fall outside of the scope of grants from institutional donors, helping build FIDA's local reputation as a responsive and effective organization, allowing them to generate further revenue and services from their local membership base.
- JOCHADEV in DRC receive no external funding and relies on a combination of membership fees and staff contributions from small side businesses; for example, one staff member mentioned that she rents out the use of her photocopier to raise extra funds for the organization.
- HURIFO in Uganda used staff contributions to purchase a small plot of land, allowing the organization to maintain operations when it lost its existing office space (see case snapshot below, "Using Land and Community Support to Build Resilience").
- In Philippines, Kapamagogopa Inc. successfully used a crowdsourcing approach when finances were low. Volunteers for the organization put together the '1000 Pesos Challenge', which was disseminated through social media asking individuals to donate 1000 pesos each to provide the organization with enough unrestricted funding to overcome the financial challenge.
- In Mexico, the Board of Fundación Comunitaria de la Frontera Norte (FCFN) established a reserve fund (with matching funds of the Inter-American Foundation) that allows the organization to smooth over operations in times of particularly lean external funding (see below in Finding 4 for more information).
- In Colombia, FEM has used the Global Giving platform to crowdfund small international donations that are used as seed funding in local social enterprises, which in turn provide dividends based on the enterprises' profitability.

View of Medellin, Colombia
Linc/Matthew Guttentag

Similarly, all of the funders interviewed for the analysis emphasized the importance of providing, and in the case of local grantmaking organizations, receiving, flexible or unrestricted funding to improve organizations' financial sustainability. Many noted the importance of providing unrestricted funding as guaranteed multi-year support. The data clearly show that general support is the most widespread strategy among grantmakers who support CSO financial sustainability, representing two-thirds of the dataset. Yet, general support grants to local CSOs only account for 3 percent of the overall funding for the six countries included in the study, illustrating the continued reluctance among grantmakers to award unrestricted funding, despite the well-documented benefits of this approach. Furthermore, only 11 percent of general support grants in the data set were awarded for more than one year.[15] Whereas there may still be a gap between rhetoric and practice, in terms of awarding general support grants, this gap appears to be even wider where multi-year support is concerned.

In addition, some funders have developed innovative matching methods to encourage the development of local, flexible pools of funding – see the Strategy Snapshot "Building the infrastructure of local philanthropy in Bosnia" in Finding 4 below for an example of how the Charles Stewart Mott Foundation's endowment challenge grants have been used to catalyze local, flexible funding.

Support for local foundations and/or CSOs to develop their own endowment was a strategy we expected to emerge as a central theme of the research, given that most local funders interviewed had endowments that they're seeking to grow – drawing from both international and/or local sources. However, donor support for endowments did not feature prominently in the literature on financial sustainability or in the interviews with international funders; fewer than one percent of grants that met our financial sustainability criteria mentioned endowments specifically. Additionally, while support for CSOs to build up reserve funds did emerge as an important strategy to strengthen longer term sustainability, this approach was not prominent in the grants data reviewed. This is possibly because this approach was more likely to be embedded within a grant for general support and not highlighted more explicitly in the grant.

KEY TAKEAWAYS

- Using creative mechanisms to develop small pools of unrestricted funding can positively impact on organizational sustainability by providing necessary flexibility to get through difficult periods and plug important gaps in programming.
- Funders providing unrestricted support can maximize their impact by considering the time frame and structure of the funding, with multi-year support and reserve fund structures giving organizations the ability to plan for the long term.

STRATEGY SNAPSHOT: FORD FOUNDATION'S BUILDING INSTITUTIONS AND NETWORKS (BUILD) INITIATIVE

BUILD is an important component of the Ford Foundation's recent efforts to shift its funding approaches to become more responsive to and supportive of social justice organizations' ability to "innovate, learn, take risks, and develop their work for the long term,"[16] acknowledging that previous practices – most notably, the use of time-limited project grants – placed major constraints on those organizations' institutional sustainability and ability to create sustainable, change. It is a new effort with a cohort of up to 300 of Ford's key strategic partners globally who, for the most part, are already fairly high performing organizations. Each participating organization receives **a five-year funding commitment that includes: 1) unrestricted general support, and 2) core support that is intended specifically for organizational strengthening purposes.** Recognizing that some organizations, accustomed to 1- year project cycles, may not yet be ready to articulate a longer-term proposal, BUILD offers a "one plus four" modality, in which one year of initial funding is provided for the organization to work on their strategic plan and vision for what they want to achieve in the 5-year period of support, which forms the basis for the other 4 years of funding.

Grantees determine their own plans for organizational strengthening based on their needs, priorities and context, with support from Ford staff and/or external consultants.[17] BUILD uses the below framework, highlighting key pillars of organizational strengthening, to guide its conversations with grantees, which continue throughout grant implementation. This ongoing engagement enables Ford grantmakers to learn about the specific needs of individual organizations and adjust or refine their support as needed, as well as understand trends across the cohort of BUILD grantees.

An underlying assumption, which will be explored further through BUILD's learning efforts is that **providing organizations with a sustained mix of unrestricted general support and targeted institutional development funding may be more effective in supporting organizations' resiliency, adaptability and durability than general support funding alone.** As Helena Hofbauer, Director of Ford's Mexico Office, noted, "if you only have general support.... what happens is that in the heat of the moment you may have insufficient money for your programmatic agenda because there are always unforeseen priorities that come up and emergencies to be addressed, that you need to put money into. We want to make sure there is a consistent effort to focus on institutional health." Because of limited funding, social justice organizations are often put in the position of choosing between programmatic and institutional development work; BUILD seeks to provide the time, space and resources for groups to do both. For some grantees, this is the first time a funder has taken this sort of approach. As one of the first grantees, the Instituto de Liderazgo Simone de Beauvoir (ILSB) put it, "We were surprised. They weren't as concerned about programmatic aspects, but much more concerned with institutional development...we haven't had funders like that before."

In the first year of BUILD, grantees have identified many ways in which they will use the dedicated organizational strengthening resources, including, but not limited to, work related to financial sustainability. Approximately 20 percent of current grantees have indicated that they will use some of those resources to create or strengthen a financial reserve, while others focus on strengthening financial management, fund-raising strategies, and/or revenue diversification. For example, the ILSB is using about 25 percent of its resources from BUILD to set up a reserve fund, allowing them the ability to pay 6 months of expenses in case of a shock that causes a temporary lack of funding. Some of the financial measures of progress toward organizational sustainability that Ford will consider include: years of operating deficit (not more than one year in deficit within the 5-year period), levels of cash on hand (at least 3-6 months of liquid and restricted net assets), and sources and mix of revenue (recognizing that social justice organizations may have a relatively narrow mix of revenue sources). Grantees are also using their unrestricted general support for sustainability purposes, including making physical infrastructure investments, such as building purchase and paying down debt.

Staff members from CIPSOPA pose for photo after partaking in an FFS interview, Rutshuru, Democratic Republic of Congo
Peace Direct/Megan Renoir

4 LOCAL FUNDERS AND INTERMEDIARY ORGANIZATIONS PLAY AN IMPORTANT BUT OFTEN-OVERLOOKED ROLE IN BUILDING SUSTAINABLE CSO ECOSYSTEMS

Mobilizing Funding through Local Intermediaries

Central to the framing of CSO financial sustainability is the concept of local ownership. Increasingly, international funders recognize that effectively supporting the financial sustainability of local CSOs depends on the existence of a strong CSO ecosystem and partnerships with well-connected strategically placed organizations familiar with the local landscape – i.e., so-called local intermediary organizations. For the purposes of this analysis, we refer to local intermediaries to describe organizations that are based in a particular country or region of interest and receive grants to support other organizations or networks in that country or region. They may be grantmakers themselves (re-granting funds received from other donors to local CSOs), or they may carry out this work as part of their own program or as a provider of technical assistance or capacity-building. Or, they may combine re-granting with other types of support or programming.

While we acknowledge that the term "intermediary" is often contested, challenged as being reductive and overly focused on the value that central actors hold for donors, we do not intend to diminish local intermediaries' agency or power by applying the term here. We recognize that the influence of these organizations is derived both from their local knowledge and connection to international networks, making them uniquely qualified and strategically placed to attract international funding, re-grant or directly connect local organizations to donors, and provide a range of critical capacity-building support to other local organizations, including in the area of financial sustainability.

The grants data and interview findings demonstrate the central role of local and international intermediary organizations – both those re-granting funds, as well as intermediaries carrying out their own programs to support the financial sustainability of other local CSOs. Based on review of the grants data, approximately 19 percent of total funding for financial sustainability was awarded via either local or international intermediary organizations. In many cases, based on a reading of the grant description, it was not clear whether the intermediary organization was supporting the financial sustainability of a third organization through re-granting or by providing support through their own program or technical assistance work. This suggests a potential area for further research into the relative effectiveness of the different ways that local intermediaries are engaged to support local organizations to increase their financial sustainability.

In several cases, local organizations who we know to have grantmaking capacity appeared at or near the top of the list as recipients of grants for financial sustainability. Examples include *Trag Foundation* based in Serbia (but working across the Balkans, including in BiH), *Mozaik Community Development Foundation,* and *Tuzla Foundation* (both in BiH), *Urgent Action Fund - Latin America* and *Fondo Lunaria Mujer* (in Colombia), *Fonds pour les Femmes Congolaises* (the number one recipient of financial sustainability grants in DRC, based on our data) *Fondo Semillas* (in Mexico), and *UHAI: East African Sexual Health and Rights Initiative* (based in Kenya, but working across East Africa, including in Uganda). These cases are particularly interesting because in some instances, they received grants to strengthen their own financial sustainability while in other cases, the funding was intended for them to act as facilitators or re-granters to strengthen financial sustainability among other local CSOs.

Regardless of the mechanism of support, local intermediary organizations play a central role in supporting the financial sustainability of other local CSOs and the sustainability of local CSO ecosystems more broadly.

The local funders interviewed for this project all play important intermediary roles by connecting international and local networks and funding systems while also being uniquely positioned and qualified to mobilize funding, and provide technical support and capacity-building to other local organizations. Additionally, these local intermediary organizations play a key role in advocating for policy change to improve the enabling environment for philanthropy in their respective countries and/or regions. Local funders all cited the importance of a few key international funders who provided them with flexible, multi-year support. At the same time, they all emphasized ongoing challenges in obtaining unrestricted funding from both local and external sources. In particular, they noted that their ability to support other local organizations' long-term sustainability remains constrained by insufficient investment of external funders in support of their own financial sustainability.

Tapping into Local Funding Sources

Interviews with CSO representatives revealed patterns among the organizations that are successfully able to mobilize resources from local funding sources. The analysis included a group of countries with relatively strong economic environments that rely mostly or entirely on domestic funding sources, including local philanthropy, local corporate funding, and local government contracts. These organizations, in particular those in Colombia and Mexico, indicated either that their organizational governance and staff resource mobilization capacity were critical drivers of sustainability, or that they have developed a successful social enterprise model.

Many of these organizations stressed the importance of their Board as a key governance structure. By establishing Boards with well-regarded and well-connected community members, the organizations are connected to domestic resources through a combination of direct networks, strong strategic guidance, and an enhanced reputation. *Saldarriaga Concha* has developed a Board that is deeply connected to local businesses, as well as members of the banking community to provide guidance on financial strategy. This has connected *Saldarriaga Concha* to private sector funding opportunities as well as ensuring the necessary oversight and reputation for developing partnerships with local government. In Mexico, the *Fundación Comunitaria de la Frontera Norte* (FCFN) has a reserve equity fund that was developed by the Board (with matching funds of the Inter-American Foundation) specifically to increase the organization's resilience to shifts in the funding landscape. The development and oversight of this fund (as well as the overall health of FCFN) by the Board gives them significant responsibilities with regards to financial sustainability, with Board members themselves contributing financially to FCFN (approximately 20-30 percent of overall organization funds) as well as closely monitoring and guiding the organization's mobilization of other local resources.

Other organizations looked to social enterprise models as a means to mobilize domestic resources, relying less on Board networks and more on a direct business model to tap into local consumers. In Colombia, despite the lack of a strong policy framework, the *Fundación para la Educación Multidimensional* (FEM) has pioneered the use of a social investment model to gain revenues from seed investments in local social businesses that it helps create or train. However, there is a significant lag time between making these investments and seeing returns. As such, the revenue from these investments must be heavily augmented with support from other non-traditional sources, such as crowdfunding and international volunteers. Social enterprise models may also be difficult for organizations not involved in some sort of service provision as part of their core mission, a dynamic explored in more detail in Finding 5.

KEY TAKEAWAYS

- Local funding is still a relatively small share of overall formal grantmaking in many countries.
- This funding can take many forms that often do not fit neatly into Western conceptualizations of "funder/grantee" models but plays a crucial role in developing overall sustainable ecosystems.
- The financial sustainability of organizations relying on domestic resources is often driven by strong governance, technical capacity, or social enterprise models.

STRATEGY SNAPSHOT: BUILDING THE INFRASTRUCTURE OF LOCAL PHILANTHROPY IN BOSNIA[18]

Although there is significantly less international funder presence in the Western Balkans now than in the immediate post-conflict and reconstruction period in the late 90s and early 2000s, CSOs in Bosnia & Herzegovina still rely heavily on external donor support. Recognizing the challenges of this dynamic, regional, national and locally-based grant making organizations have been working to create a more robust culture and infrastructure of local philanthropy to address sustainability-related concerns. They include the Trag Foundation, which is based in Serbia but works regionally, and is currently supporting Bosnian groups addressing violence against women; Mozaik, a Bosnian funder working nationally to support youth social entrepreneurship with plans to expand its work regionally; and the Tuzla Community Foundation, which supports a range of locally driven projects in its region of Bosnia. These locally-based organizations with grantmaking capacity play a unique role that blurs the traditional dichotomy between "funder" and "recipient CSO". As described below, they utilize a mix of strategies and approaches to encourage greater financial sustainability for work carried out by organizations and individuals in their own communities, taking into account emerging opportunities and ongoing challenges in the country and the region more generally.

"The first thing that really needs to happen is a change of mindset. What is usually the case is that organizations have doubts that anybody wants to give, nobody has any money.... and why would they give to them in particular?" [19]

Supporting CSOs' local resource mobilization efforts

Both Trag Foundation and the Tuzla Community Foundation (Tuzla CF) have provided pathways for grassroots groups to break that mindset. Trag Foundation, for example, often begins by working with groups to build an explicit "case for support" that might appeal to and resonate with potential local donors, including individuals and the private sector. The challenge is not necessarily about the substance of what they do, but how it is communicated. Groups have grown accustomed to writing proposals in a format and style required (or assumed to be required) by international donors, but not well suited to a local audience.

In addition to this type of capacity building work, Trag and Tuzla CF provide matching funding for groups to develop and implement fundraising activities in their communities. While the resources mobilized have been relatively small (generally under 10,000 USD), the visibility and practice in constituency and relationship building that groups gain through such fundraising efforts is an important step toward their longer-term sustainability. Like Trag and Tuzla CF, the Mozaik Foundation encourages local resource mobilization through small matching grants, but with a focus on individual youth leaders in their communities rather than CSOs. Through the YouthBanks Program,[20] they have trained young people themselves to act as grant makers for community projects, mobilizing at least one dollar in municipal funding for each dollar provided by Mozaik. From 2008 to 2017, Mozaik, in partnership with 40 municipalities, made 1,735 grants through YouthBanks, with a value of over 3.25 million Euros value in projects. Over half of the funding came from local resources, including thousands of individuals.

Pathways toward Sustainability for Local Funders

All of these local funders are also thinking about and developing strategies for their own financial sustainability. Each of them, while facing the same challenges as the groups and initiatives they support (e.g. decreasing external funding, a still nascent culture of local philanthropy and difficult economic conditions in the country/region, and the lack of an enabling environment for civil society in general), has developed key attributes of longer term sustainability - namely, resilience, flexibility and adaptability.[21] A key part of their sustainability trajectory has related to the type of support they receive from their own donors. All have cited **the importance and benefit of having external private donors that have provided flexible funding,** - such as the Oak Foundation, which has provided Trag Foundation with a three year grant enabling them to do grantmaking and capacity building on women's issues in Bosnia, and the Charles Stewart Mott Foundation (CSM), which has funded all three organizations for many years, as part of its long-term investment and focus on developing the institutional landscape for local philanthropy in the region. The local funders interviewed for this project indicated that this type of commitment from and partnership with external funders has enabled them to innovate, take risks, diversify their funding base, and create space to "say no" to funding that is not well-aligned with their strategic objectives.

As part of its planned exit from the Balkans, Charles Stewart Mott Foundation's endowment challenge grants for these local funders have been an important sustainability-enabling strategy. Trag has raised $250,000 and Mozaik close to that amount, which CSM will match on a 2:1 basis. The funds have been raised from a variety of sources, both external and local, and in the case of Mozaik, have included revenue from the sale of property they already owned. While this represents only the beginning of an endowment that each of these organizations hope to grow over time, it is a funding stream that can support part of their operations or programming in the future. It is viewed as "*a piece of the sustainability puzzle, but not the whole puzzle.*"[22]

Accordingly, these local funders have cultivated other sustainability-related strategies. These include investments into youth-led social enterprises[23] in the case of Mozaik, and the creation and administration of local donor advised funds in the case of Tuzla CF. Both Trag and Tuzla have also begun providing services drawing on their grantmaking expertise (such as due diligence and needs assessments) to corporations interested in philanthropic giving. Recognizing that external resources will still be needed in the Bosnian context for some time to come, these CSOs have positioned themselves as grantmakers with the capacity and expertise to attract international, regional and local resources. This includes international donors who may not necessarily have a specific regional interest in the Balkans but see an opportunity to support work that converges with their own thematic areas of interest or strategic approach.

Over the past decade in Bosnia and the surrounding region, an ecosystem of local funders has emerged to create the initial building blocks for local philanthropy. However, further investment, collaboration, and advocacy is needed for their work to achieve critical mass, particularly given continued political and economic volatility in the region.

5 SUPPORT AND STRATEGIES FOR FINANCIAL SUSTAINABILITY VARIES SIGNIFICANTLY ACROSS SECTORS

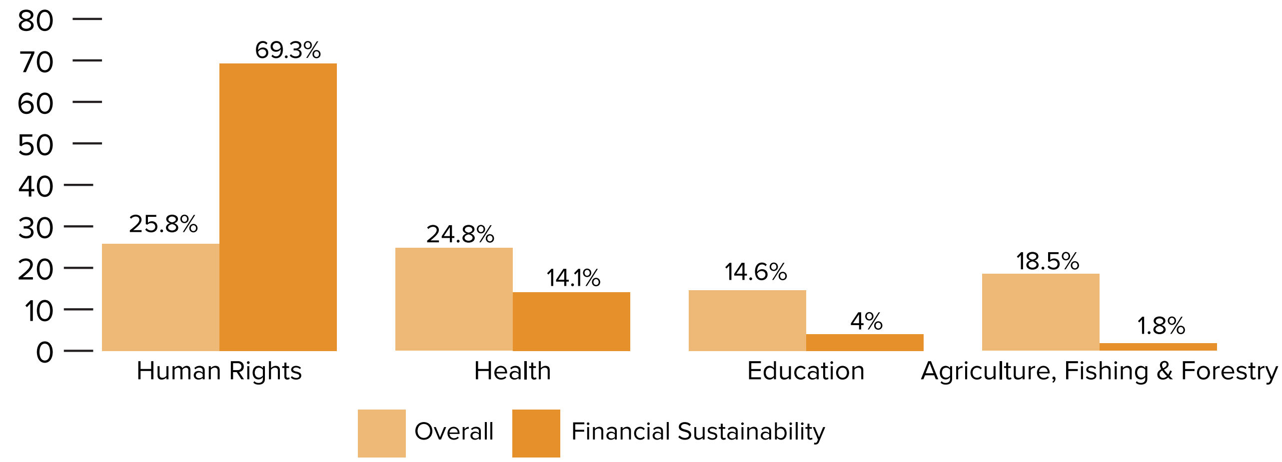
Sixty-nine percent of financial sustainability funding across all six countries was directed toward organizations focused on human rights.[24] By contrast, of the total grantmaking for all six countries (including both grants meeting financial sustainability criteria and those that did not), only 26 percent of grants dollars were awarded in support of human rights. By comparison, funding for areas more traditionally thought of as service-oriented, received a much smaller proportion of funding in the financial sustainability set when compared to the overall set. For example, 25 percent of overall funding focused on health, while only 14 percent of financial sustainability funding was health-related. The figures were similarly disparate for education (15 percent overall, 4 percent of financial sustainability) and agriculture (19 percent overall and only 2 percent of financial sustainability).

Human rights funders tend to support organizations and movements that face particular challenges and constraints in mobilizing resources from government, the private sector, and individual donors – a concern that was raised by several of the funders and CSO representatives interviewed. In Uganda, for example, the *Foundation for Human Rights Initiative* mentioned the political sensitivity of their work as a major barrier to mobilizing support from the local business community. In contrast, organizations focused on service provision in areas such as health and education are seen as more likely and able to secure government funding, private sector partnerships, and individual donors' support, and better positioned to develop alternative revenue streams through social enterprises or the provision of income-generating services.

On the other hand, although organizations involved in service provision may have more difficulty accessing institutional support for financial sustainability, these organizations have a much greater potential for developing social enterprise models to generate revenue. In certain cases, these organizations can leverage this position to support additional advocacy work. As one funder noted, "often what happens is we see [for example] a women's group that starts to generate some economic power through cleaning up and recycling. They get money from recycling and they move to getting a contract with the municipality to deal with all the trash. This economic base can sometimes be leveraged into greater political power for the group to advocate on certain issues. Often these things go hand in hand, but it is less likely that you see a group that started with activism or advocacy and then they shift over to income generating activities to sustain their advocacy."[25]

Some interviewees stressed that the population focus of organizations also

PROPORTION OF FOUNDATION FUNDING BY SELECT SUBJECT FOCUS 2012-2017



makes a difference for their ability to attract funding from diverse sources, including from local grantmakers and individual donors. For example, a CSO delivering basic health or education services will have an easier time than a service provider working with vulnerable or marginalized populations.

Findings from the grants data analysis show that the population focus of financial sustainability funding does differ from that of the overall grantmaking, with funding to vulnerable groups over-represented in the data. For example, a significantly higher proportion of financial sustainability funding was targeted specifically at women and girls than the overall funding. Nineteen percent of the total funding for the six countries was targeted at women and girls, compared to 38 percent of funding meeting financial sustainability criteria. Similarly, support targeted specifically at LGBTIQ populations accounted for 4 percent of financial sustainability grantmaking compared to 1 percent of total grantmaking across all six countries. Support for migrants and refugees also made up a higher percentage of financial sustainability grants than the total grantmaking (6 percent compared to 3 percent). Grants intended to benefit indigenous populations also exhibited a similar shift: only 5 percent of overall grantmaking identified indigenous people as the population served, but funding for this group accounted for 10 percent of funding for financial sustainability.

KEY TAKEAWAYS

- Organizations involved in advocacy efforts such as human rights are much more likely to receive support directly targeted towards financial sustainability. On the other hand, organizations providing services have much more potential to develop social enterprise revenue generation strategies than advocacy organizations.
- The population served also makes a difference in levels of financial sustainability support, with CSOs supporting vulnerable groups disproportionately targeted for such support.

Central bus station in Kampala, Uganda.
Creative Commons/Bernard Dupont

6 TECHNICAL CAPACITY IS AN IMPORTANT DRIVER OF FINANCIAL SUSTAINABILITY, AND CAN BE A POWERFUL TOOL FOR CULTIVATING OTHER KEY ORGANIZATIONAL QUALITIES

Capacity building is a popular strategy for supporting CSO financial sustainability: in the grants dataset, 45 percent of grants incorporated some level of capacity building. Interviews indicated this is largely demand driven, with explicit requests from grantees for support on technical capacity issues such as strategic planning or financial management training. In many cases, funders award general support coupled with different kinds of organizational capacity building. This can take the form of a separate organizational development grant, access to external consultants and training, peer learning and exchange, and/or on-going support by funder staff to identify and work on specific organizational priorities. CSO representatives noted that pairing some technical assistance focused on organizational development alongside program grants allows them to put in place the systems and personnel needed to develop their own sustainability models. One example of this support is the Ford Foundation's implementation of its *BUILD* program (profiled in Finding 3) in Mexico. Many grantees use the program's capacity building support to clarify and consolidate human resource systems and explore ways to restructure their systems and policies in place to support their core work in the most sustainable way.

CSO interviewees agreed with the importance of technical capacity building, both to directly support sustainability and to strengthen Social Capital. The QCA analysis revealed that strong internal Technical Capacity allowed organizations to formally demonstrate transparency and compliance through well-developed reporting mechanisms. For example, in DRC, CSOs in the study attributed a part of their sustainability to the existence of a "clear governance structure," "annual strategic plan," "monitoring and evaluation systems (M&E)," and "transparent" or "reliable" financial systems. These systems were perceived as essential for organizations gaining credibility amongst communities and partners and for developing and maintaining vital relationships. Some organizations employ creative partnership models to plug capacity gaps that hinder long-term sustainability. In Mexico, *Un Kilo de Ayuda* (UKA) has identified overlapping interests between their own objectives and the research interests of various U.S.-based universities, creating partnerships wherein these universities use their own funding to provide rigorous evidence on the effectiveness of UKA's model (see "Strategy Snapshot" below).

While Technical Capacity was discussed as an important factor for financial sustainability, it is important to recognize that it does not drive financial sustainability on its own. Rather, Technical Capacity should be understood as inherently tied to aspects of both Social Capital (discussed in Finding 2) and Organizational Culture (discussed in Finding 7).

KEY TAKEAWAYS

- Funders can effectively support sustainability by pairing funding with technical support.
- Organizations can strengthen their Social Capital through investing in aspects of Technical Capacity
- Creative partnership models can help fill technical capacity gaps when internal capacity development may not be available.

These various factors were considered to have reinforcing effects on one another, and Technical Capacity can play a key role in the overall system of CSO financial sustainability.

Arnold Djuma, Executive Director of the Center for Peace and Human Rights in Goma, Democratic Republic of Congo
Peace Direct/Megan Renoir

STRATEGY SNAPSHOT: LEVERAGING AN ACADEMIC PARTNERSHIP TO DRIVE SUSTAINABILITY

When considering financial sustainability, most organizations think about bilateral donors, private foundations, or corporate funders, but rarely consider partnerships with academic institutions. But in Mexico, *Un Kilo de Ayuda* (UKA) has developed and leveraged creative partnerships with leading universities to do just that.

UKA is over 30 years old and is one of the most well-established early childhood development (ECD) organizations in Mexico, delivering a range of programs targeting children under the age of five. They are well-known for their partnerships with major national retail and food brands to collect funding through their donation cards at thousands of points of sale. Despite this history of successful fundraising, the organization was concerned with CSO sector's lack of credibility in Mexico, as well as UKA's ability to obtain the funding necessary to scale its model across the country. In addition to mapping the local and international landscape of potential direct funders, UKA recognized that a strategic partnership with a research institution could build credibility for UKA (and the CSO sector as a whole) while providing UKA with evidence on how to scale its program effectively. UKA also realized that the organization's programs provide valuable potential research sites for scholars interested in early childhood development, meaning they could access the benefits of an expensive evaluation without the costs.

UKA formed a partnership with the Harvard University Center on the Developing Child. Together, they were able to study the strategy and impact of their programs, answering major questions for the ECD sector such as how positive interaction and playing in daily family routines impacts the brain structure of low-income children.

In the short term, this partnership has allowed UKA to tweak its programming to increase effectiveness. For example, they shifted a program from a community center to family homes, increasing their ability to target families working in agriculture whose jobs made it impossible to get to the community center. More broadly, UKA's role as a laboratory of research on child development allows the organization to stay at the forefront of the ECD sector. In the long run, UKA leadership is confident that the evidence generated from this partnership will give them the insights needed to structure their programs for scale as well as to help new funders understand the importance of their work.

7 ORGANIZATIONAL CULTURE SUPPORTS RESILIENCE TO EXTERNAL SHOCKS AND IS A KEY ENABLING FACTOR FOR FINANCIAL SUSTAINABILITY

The QCA analyses also revealed Organization Culture as a key source of resilience for organizations facing exogenous shocks and was viewed as a vital resource supporting long-term organizational financial sustainability. CSO participants discussed how the passion, commitment and flexibility of staff during times of financial strain allowed for them to continue operations and avoid organization closure.

Many of the CSOs reported that staff willingly go without salary for prolonged periods of time, or chose to work on a part time or voluntary basis to accommodate the financial needs of their organization.

For example, in DRC, all of CSOs in the study reported a reliance on unpaid staff and volunteers at some point in their organization's lifetime and considered this as absolutely essential to their survival of economic shocks. While temporarily foregoing staff compensation itself is not a positive development and should not be considered an ideal strategy for increasing resilience, interviewees pointed to this as an indicator of the strong culture of commitment that the organizations had developed among staff.

The *Philippine Alternative Bridge to Community Development* (ab2cd) provides a strong example of how organizations can develop high levels of passion, commitment and flexibility amongst staff. Ab2cd encourages staff and volunteers to attend trainings or participate in network meetings to improve their technical skills and language abilities. Furthermore, ab2cd has provides education financial support to staff members who cannot afford to send their children to school. This investment in personal development and support of staff creates deeper levels of commitment and loyalty from staff members to the organization and its goals, which can be a vital tool for staff retention in contexts where INGOs frequently poach skilled staff from local CSOs. Interviewees stressed that this not only reduces staff turnover but also ensures that employees can focus fully on the technical aspects of their work, thereby producing better results in project implementation and supporting the long term financial sustainability of the CSO.

KEY TAKEAWAYS

- Committed and flexible staff can be a vital safeguard against exogenous shocks and support long-term financial sustainability for CSOs in challenging contexts
- Organizations can increase their resilience by nurturing strong Organizational Culture, particularly though investing in staff support and skills development.

Sign for the Center for Peacebuilding's farm in Sanski Most, Bosnia & Herzegovina
Peace Direct/Megan Renoir

8 NON-FINANCIAL RESOURCES AND ASSETS CAN BE JUST AS IMPORTANT AS FINANCING IN DEVELOPING LONG-TERM SUSTAINABILITY

Organizational sustainability is sometimes thought of as a balance sheet exercise, comparing funding coming in with funding going out. But many successful organizations stressed the ways in which non-financial resources make at least, if not more, of a difference. Although these resources may not show up on a balance sheet, they allow an organization's financial resources to cushion against the inevitable ups and downs of funding cycles and increase organizational resilience.

Examples of non-financial resources that organizations explicitly mentioned as key drivers of sustainability include:

- Land and housing;
- Local volunteer time (including uncompensated staff time);
- International volunteer time; and
- Locally-sourced in-kind goods (such as housing materials).

The use of land is particularly prevalent in Uganda, where three out of the five organizations interviewed had acquired land as a key part of their sustainability strategy (see Strategy Snapshot below). This acquisition of hard assets has several advantages: saving on month-to-month overhead costs by eliminating the need to pay rent; providing a hedge against rental market fluctuations that can be impossible to accommodate with pre-set program budgets; and providing an opportunity to generate revenue by using some portion of the property, such as office sub-leases or event space. The acquisition of hard assets by CSOs can also have downsides, including reducing flexibility in responding to shifting geographic needs and providing what may be considered an unfair advantage for established landowning organizations relative to newer groups.

The use of volunteers and in-kind materials are well-established ways to lower expenses relative to impact. However, some organizations included in the research, saw these methods as more deeply connected to their sustainability than simply as ways to lower expenses. In the DRC, many organizations viewed local volunteers as fundamental to their connection and integration with local communities (a key aspect of Social Capital, as discussed in Finding 2).

Volunteers can facilitate long-term positive relations between CSOs and beneficiary communities, leading to instances where community members are more likely to help support project implementation.

Furthermore, volunteers can become project implementers during times of financial strain, acting as a vital buffer allowing a CSO to absorb financial shocks.

KEY TAKEAWAYS

- Funders often think about sustainability primarily in terms of financing, but alternative resources and assets can help build resilience.
- Hard asserts such as land and housing can be particularly important in giving organizations a productive and stable resource to leverage, and "soft" assets such as tapping into volunteers can help reinforce community Social Capital and provide a resilient means to implement programs in difficult financial times.

Frances Odongyoo of HURIFO stands on the organization's land in Gulu, Uganda
Linc/Matthew Guttentag

STRATEGY SNAPSHOT: USING LAND OWNERSHIP AND IN-KIND SUPPORT TO BUILD RESILIENCE

For 23 years, Human Rights Focus (HURIFO) rented office space in a government building in Gulu, in Northern Uganda. Despite the organization's unflinching commitment to challenging government abuses, this housing arrangement stayed steady, giving HURIFO critical predictability in their month-to-month housing costs. In July 2017, the organization was suddenly evicted, following the government's decision give away the building to another institution. HURIFO was given three months to move out and find new housing. For an organization already operating on a shoestring budget, this represented an existential threat, with private office spaces renting at far beyond the rate they paid for the government-owned offices.

However, a process that HURIFO started a decade earlier was about to pay off and keep the organization afloat. Given the sensitivity of their human rights work, HURIFO leadership knew that they might one day face some type of shock that would require immediate access to completely unrestricted funds. In 2007, the organization started to scrape together a pool of staff contributions, membership fees from local community members and board members, and small donations from individual international donors. They put this money into a savings account, continuing to build it shilling by shilling through small contributions and bank interest. The eviction proved to be just the sort of shock they anticipated.

The money in the savings account was just enough to purchase a plot of land on the outskirts of town. This left HURIFO essentially penniless, unable to fund the construction of an office building on the land. That is when the goodwill HURIFO had cultivated through decades of engagement with the local community came to the rescue, leading to the donation of a sea shipping container to store books for a local library they ran. Through further community connections, they were able to get support to convert the shipping container into a basic office, grade the land for the container, and put in a basic fence.

Although there is still significant work to be done on their new home, HURIFO's ability to purchase a small plot of land and tap into community connections gave the organization the resilience to deal with sudden financial circumstances that would have otherwise been nearly impossible to overcome.

CONCLUSION AND NEXT STEPS

This paper summarizes the results and lessons from a systematic analysis of interviews with over 120 CSO representatives, funders, and other stakeholders and quantitative analysis of nearly 1,800 grants focused on supporting the financial sustainability of local organizations. This analysis reaffirms the need for a greater focus from funders on sustainability, as well as providing nuance into the ways in which different funding and organizational development strategies can be particularly effective in facilitating improved sustainability. We encourage those interested in diving deeper into the topics presented here (including the full methodologies used, snapshots of all of the CSOs included in the analysis, and discussions of a more extensive set of results) to read the accompanying deep-drive reports, *Funder Approaches to Supporting CSO Financial Sustainability* and *Understanding the Factors Driving CSO Financial Sustainability.*

The next step for the FFS team is to put this research into practice with the development of "Action Learning Groups" of local civil society stakeholders in three of the countries included in the research: Uganda, the DRC, and Colombia. These groups will take these research findings as a starting point for prioritizing local barriers to sustainability and developing collective strategies and activities to undertake to help overcome some of the local barriers. The FFS team will be publishing further learning notes and guides based on this experience to help other practitioners use the lessons learned from this activity to improve their own approach towards facilitating financial sustainability.

Mariam Barandia, Executive Director of Kapamagogopa Inc. in Iligan City, Philippines
Peace Direct/Megan Renoir

ENDNOTES

1 Leading institutions conducting research and providing useful tools for the CSO sector include major donors such as USAID and UKAID as well as independent civil society groups such as CIVICUS and the International Center for Not-for-Profit Law (ICNL) and development research institutions such as the Overseas Development Institute (ODI). A review of the academic research on civil society financial sustainability is included on page 11 of this report.

2 In this context, "grantmaking foundations" include both public grantmaking charities (organizations that derive their funding from the public or other foundations), and private foundations (generally endowed foundations that do not also fundraise from the public).

3 Although this analysis focuses only on the factors contributing to sustainability rather than overall effectiveness, we considered it important to include organizations that also have a track record of effective programming. Although there was no formal audit of a given organization's effectiveness, referral requests explicitly included a request only to refer organizations that are known to have a well-regarded reputation for impact, and interviews with external stakeholders were used to verify this reputation.

4 Hereafter referred to as "funders."

5 General support refers broadly to unrestricted funding and core support for day-to-day operating costs. This definition is drawn from the Philanthropy classification System. For more information, see taxonomy.foundationcenter.org/support-strategies.

6 Different terms are used to refer to the concept of helping organizations develop their internal strategies, tactics, and processes, including "capacity strengthening" as well as "capacity building." For the purposes of this report, we employ the term "capacity building" due to its broad use, while acknowledging that this term may not sufficiently represent the existing capacities of organizations receiving this support.

7 For more information on the PCS, see http://taxonomy.foundationcenter.org/. The full search strategy is available in the accompanying funder analysis deep-dive report.

8 The full codebook can be found in the accompanying funder analysis deep-dive report.

9 For a full list of publications reviewed to identify funder strategies, see the Works Cited section at the end of this report.

10 This definition is drawn from the Philanthropy Classification System. For more information see, taxonomy.foundationcenter.org/support-strategies.

11 In the case of BiH, the overall proportion of financial sustainability funding was especially affected by a particularly large grant -- for $3.4 million awarded by the Oak Foundation to Trag Foundation in 2015 to strengthen women's movements and women's civil society organizations through financial and institutional support and capacity building of grantees in BiH, Serbia and Montenegro – in what was otherwise a relatively small set of grants.

12 Case study draws upon reflections from funders interviewed: Global Fund for Women, Fondo Semillas, Fondo Lunaria, and Fonds pour les Femmes Congolaises.

13 Whitley Raney, Fondo Semillas

14 Elena Palmer, Fondo Lunaria

15 To calculate this figure, grants records lacking information about the length of the grant period were excluded. An additional note that the resulting figure does not include general support grantmaking that is renewed each year, which it can be argued, undercounts this

type of funding. On the other hand, grants requiring annual approval do not come with a guarantee of sustained funding, which many consider to be the value of "true" multiyear support.

16 https://www.fordfoundation.org/work/our-grants/building-institutions-and-networks/approaches/. Other key components of Ford's rethinking of its funding approach are: general support as the default mode of funding for its strategic partners, and a commitment to provide a minimum of 20% overhead on any project grants.

17 https://www.fordfoundation.org/work/our-grants/building-institutions-and-networks/approaches/: At the beginning of their BUILD grant, all organizations undergo two kinds of assessment: a facilitated organizational assessment called the Organizational Mapping Tool, and an in-depth analysis of their finances. Both are designed to help organizations better understand and prioritize their needs in key areas like strategy, leadership, finances, and systems.

18 Case study sources: interviews with staff from Charles Stewart Mott Foundation, Trag Foundation, Tuzla Community Foundation and Mozaik Foundation

19 Biljana Dakic Djordjevic, Trag Foundation

20 (http://www.youthbankinternational.org/what-is-a-youthbank)

21 Walter Veirs, Regional Director, Central and Eastern Europe Civil Society, Charles Stewart Mott Foundation

22 Ibid

23 This work includes mentoring and internship opportunities with corporations, as well as access to impact investors once youth social enterprises reach the appropriate stage for scaling and growth. Mozaik is currently building a 25 million Euro regional impact investment fund for this purpose.

24 Foundation Center's Philanthropy Classification System (PCS) classifies grants for human rights using the following definition: "The protection and promotion of the human rights and civil liberties of individuals and communities. This includes protecting equal rights for and fighting discrimination against some categories of people; improving relations between racial, ethnic, and cultural groups; and promoting voting rights". For more information, see taxonomy.foundationcenter.org.

25 Interview with Peter Kostishack, Director of Programs, Global Greengrants

26 Note that Mozaik was interviewed primarily as part of the accompanying funder analysis due to their support from various funders included in Foundation Center's database, and so the interview followed a different format. The data was therefore not used as part of the QCA, but was used as part of the overall analysis of common interview themes.

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APPENDIX 1: DEFINING "FINANCIAL SUSTAINABILITY" AND "LOCAL ORGANIZATIONS"

To assess the factors contributing to local CSO financial sustainability, it is important to have a consistent concept as to what constitutes a financially sustainable organization. We considered a variety of approaches to defining sustainability based on existing literature and consultations with stakeholders. Based on these discussions, we decided to consider financial sustainability at the organizational level. We acknowledge that this is only one lens on sustainability and does not consider two other key related concepts: sustainability of results, i.e. the extent to which a given civil society activity may produce results that endure beyond the life of the activity or even the organization itself; and movement sustainability, i.e. the extent to which an overall community movement may endure beyond the life of any one organization. These are both critical concepts for the CSO sector, and we encourage others to build on this research with further examination of each of them; however, in order to provide clear and consistent findings, we felt that it was beneficial to maintain focus in this analysis on organizational sustainability.

Furthermore, identifying organizations to consider for the research required a set of observable characteristics that signify a financially sustainable organization. It is of course impossible to know concretely whether an organization is sustainable at any one specific moment, since sustainability can by definition only be revealed over time. Given this conceptual constraint and in order to create the most intuitive and meaningful working definition possible, the research used two key observable organizational characteristics that when combined allow one to reasonably infer high likelihood of financial sustainability: organizational longevity and financial resilience:

- Organizational longevity is defined as an organization existing with active operations for a period that is significantly longer than other similar organizations in the same geographic and sectoral context.
- Financial resilience is defined as having a resource base that allows for continued operations despite a range of exoGenous shocks. Generally, this will be demonstrated through revenue streams from multiple non-interdependent sources including a significant degree of locally-sourced funding, although the flexibility of the methodologies will allow for other observable characteristics to be used to demonstrate resilience.

In addition, the research focuses specifically on local CSOs. To be eligible for inclusion as a case in the research, an organization is considered "local" according to the following criteria:

- Operational decision-making ability in the country of program implementation.
- Demonstrated commitment to long-term integration into the local civil society network, as shown through participation in or collaboration with local civil society groups and initiatives
- Demonstrated commitment to local ownership and management, as shown through a commitment to employing local staff for leadership and management positions

Although this analysis focuses only on the factors contributing to sustainability rather than overall effectiveness, we considered it important to include organizations that also have a track record of effective programming. Although there was no formal audit of a given organization's effectiveness, referral requests explicitly included a request only to refer organizations that are known to have a well-regarded reputation for impact, and interviews with external stakeholders were used to verify this reputation.

APPENDIX 2: CSO ANALYSIS INTERVIEWS

Organization	Interview Participants
Bosnia and Herzegovina	
Genesis	Executive Director; Finance Officer; Project Officer; Volunteers (2)
Zdravo Da Ste	Founder; Executive Director
Youth Centre Jajce	Founder; International Project Manager; Volunteer
Center for Peacebuilding	Co-founder/Director; Second Co-founder/Director
Mozaik[1]	Founding Director
Colombia	
Atinaz	Program/Legal Representative
Conciudadano	General Director; Project Coordinator; Finance Director; Board Member
FEM	General Director; Associate (2); Legal Representative; Advocacy Director; Entrepreneur (2)
JuanFe	Operations Director; Finance Director; Manager; Office Director; Beneficiary
Saldarriaga Concha	Executive Director; Operations Director; Finance Director
Democratic Republic of Congo	
BIFERD	Program Manager
CCD	Executive Director; Project Officer; Finance Officer; Volunteer
CELPDH	Founder; Finance Officer; Volunteer Project Officers (6)
CRESA	Executive Director
CVPD	Founder; Finance Officer; Project Officer
CIPSOPA	Founder; Program Manager; Assistant Accountant; Peacebuilding Consultant
FOCHI	Founder; Finance Officer; Project Officer; Beneficiaries (6)
JOCHADEV	Founder; Finance Officer; Project Officer
Virunga Yetu	Founder; Accountant; Finance and Administration Officer; Project Officer
Mexico	
Un Kilo de Ayuda	Development Director; Director General; Development Manager; Data Manager
Casa de la Amistad	Director; External Relations Manager
Consejo Civico	Director; Fundraising Manager
Via Educacion	General Director
FCFN	Executive Director
Philippines	
Ab2cd	Founder/Executive Director (Limited staff)
BIRTH-DEV	Founder/Executive Director (Limited staff)
CSO-FP	Founder/Executive Director (Limited staff)
Kalimudun Foundation	Co-founder/Director; Second Co-founder/Director
Kapamagogopa Inc.	Founder; Finance Officer; Project Officer; Volunteers (2)
Pailig Foundation	Managing Director; Financial Manager
Uganda	
FHRI	Executive Director; Deputy Director
FIDA Uganda	CEO; Grants Officer; Finance Director
HURIFO	Executive Director
ARLPI	Program Coordinator; Organization Partner
GWED-G	CEO; Program Coordinator; Funder Representative

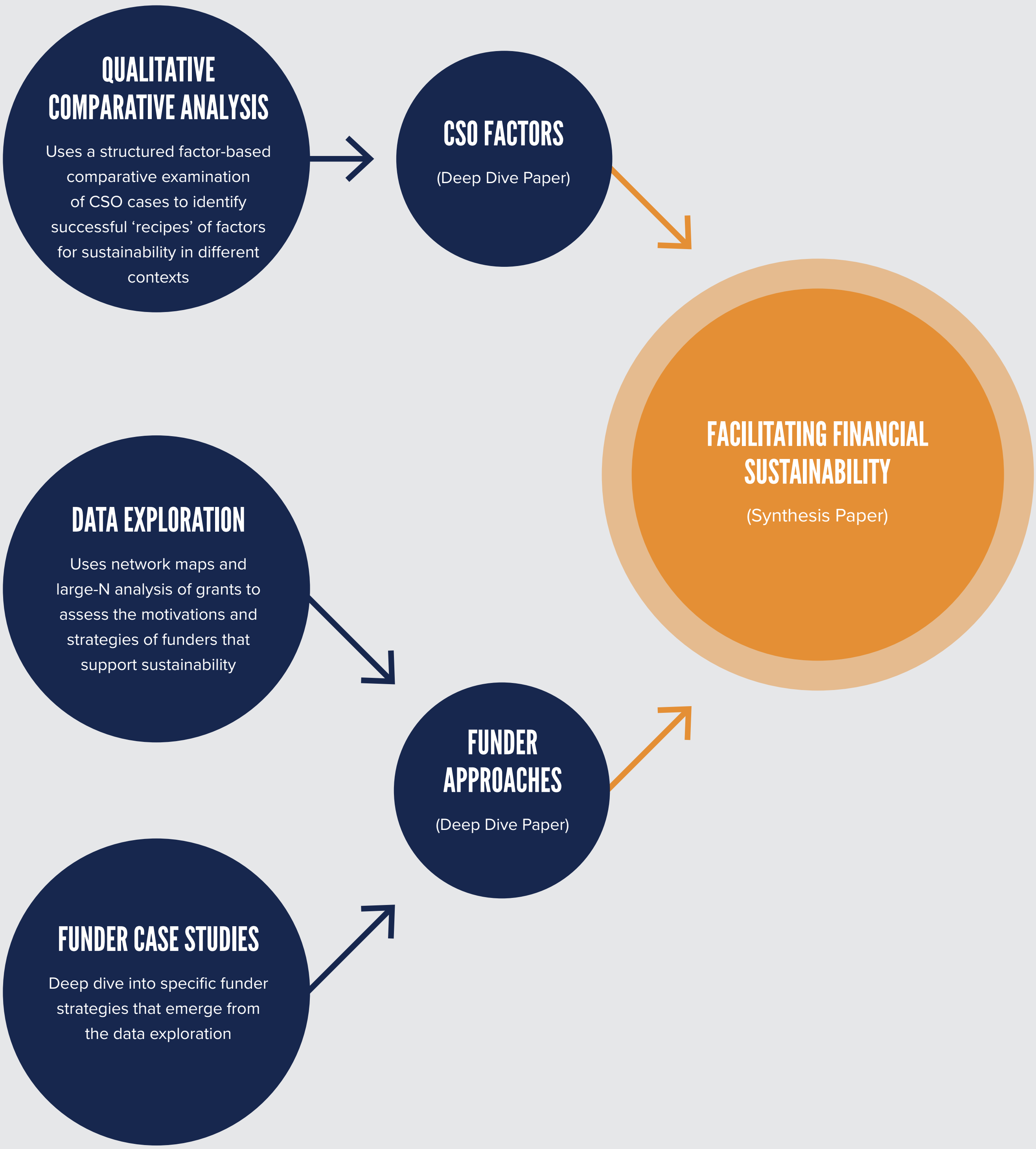
APPENDIX 3: FUNDER ANALYSIS INTERVIEWS

Organization	Interview Participants	Country
America Jewish World Service	Caroline Kouassiaman, Senior Program Officer Caroline Adoch, Country Consultant Shari Turitz, Vice President for Programs	Multiple/Uganda Uganda Multiple
Charles Stewart Mott Foundation	Walter Veirs, Regional Director, Central and Eastern Europe	BiH
Firetree Asia Foundation	Sarah Cottee, Head of Partnerships	Philippines
Fondo Lunaria	Elena Palmer, Executive Director	Colombia
Fondo Semillas	Whitley Raney, Institutional Grants Development Officer	Mexico
Fond pour les Femmes Congolaises	Julienne Lusenge, Director	DRC
Ford Foundation	Helena Hofbauer, Director, Mexico and Central America Kathy Reich, Director, BUILD Monica Aleman, Senior Program Officer, BUILD	Mexico Multiple Multiple
Global Fund for Women	Lisa Block, Program Officer	Multiple/Philippines
Global Greengrants Fund	Peter Kostishack, Director of Programs	Multiple
Open Society Foundations	Thomas Hilbink, Director, Grant Making Support Group	Multiple
Trag Fund	Biljana Dakic Djordjevic, Executive Director Natalija Simovic, Manager of Regional Issues Affecting Women Program	BiH BiH
Tuzla Community Foundation	Jasna Jasarevic, Executive Director	BiH
UHAI-EASHRI	Mukami Murete, Deputy Executive Director Cleo Kambugu, Program Officer	Uganda Uganda

APPENDIX 4: FACTORS USED IN CSO ANALYSIS CODING

Category	Factor	Definition
Organization technical capacity	Organizational Governance	Organizational governance structures including a Board of Directors, written policies and procedures, and transparent financial systems as a driver of sustainability.
	Staff capacity to mobilize resources	Internal staff capacity, including both knowledge and capability, geared directly towards resource mobilization
	M&E capacity	Capability in monitoring and evaluation and reporting results to donors and other relevant stakeholders.
	Financial accountability	Transparent and thorough financial processes within the organization.
	Communications/marketing	Organizational communications or marketing skills and experiences.
Organization culture	Leadership	Organizational leadership that is particularly supportive and visionary.
	Flexibility	Organizational ability to adjust creatively to changing conditions
	Staff commitment	The commitment of staff to the Mission of the organization, as demonstrated through continued involvement, monetary contributions, volunteering, etc.
Enabling environment	Political enabling environment	Level of political openness for CSOs to operate, including ability to register as a CSO, ability to operate without significant governmental interference, and lack of restrictions related to bringing in financial and non-financial resources.
	Domestic economic enabling environment	The level of domestic economic resources potentially available for the CSO sector (not including bilateral or international donors). Includes local financial resources including local government resources, local corporate resources, and local individual resources.
	International donor resources available	The relative level of resources available from international donors for civil society organizations in the country.
	Physical security context	The presence or absence of physical security threats, including crime, war, and natural disaster.
	Lack of INGO competition	The extent to which INGO presence in the area leads to competition for funding or impacts CSO operations in other substantial ways.
Social Capital	International/national network participation	Organizational participation in CSO networks (indirectly or directly) at the national or international levels.
	Local network participation	Organizational participation in CSO networks at the local (subnational) level.
	Credibility (or Public image)	The overall image of an organization for local stakeholders.
	Government relations	The strength of working relationships with government officials.
	Community participation	The extent to which organizations incorporate the local community (in particular beneficiaries) into their planning and implementation.
	Volunteers	The extent to which the organization relies on volunteers as a resource
Donor relationships	Supportive donor relationship	Relationships with donors that involve a hands-on, flexible, 'partnership' based approach, i.e. the donor invests more into the relationship than traditional hierarchical 'hands-off' approaches (for both long-term or short-term funding)
	Long-term relationships with donors	The extent to which organizations demonstrate clear investments in relationships with their donors through long-term relationship development.

APPENDIX 5: FFS RESEARCH APPROACH



Facilitating Financial Sustainability (FFS) is a USAID-funded activity that seeks to understand and improve the underlying conditions for CSO financial sustainability. It is implemented by a consortium led by LINC with partners Peace Direct and the Foundation Center.

In 2017, the FFS team conducted research exploring the drivers and support landscape for CSO financial sustainability in Colombia, Mexico, Uganda, Democratic Republic of Congo, Bosnia & Herzegovina, and the Philippines. The research included two primary studies: 1) an in-depth analysis of funder strategies to support financial sustainability; and 2) an in-depth analysis of systemic challenges faced by CSOs and successful practices for achieving financial sustainability.

This has culminated in the publication of three research papers, which provide key information on how civil society actors, funders, policy makers and other relevant individuals can support and increase local CSO financial sustainability. Research reports from year one of the project include:

- A synthesis of the findings from across the interviews and grants analysis
- A deep-dive analysis of the patterns of funding for financial sustainability
- A deep-dive into the factors driving CSO financial sustainability

This synthesis report summarizes the results and lessons from a systematic analysis of interviews with over 120 CSO representatives, funders, and other stakeholders and quantitative analysis of nearly 1,800 grants focused on supporting the financial sustainability of local organizations.

The analysis reaffirms the need for a greater focus from funders on sustainability, as well as providing nuance into the ways in which different funding and organizational development strategies can be particularly effective in facilitating improved sustainability.

We encourage those interested in diving deeper into the topics presented here (including the full methodologies used, snapshots of all of the CSOs included in the analysis, and discussions of a more extensive set of results) to read the accompanying deep-drive reports: "*Funder Approaches to Supporting CSO Financial Sustainability*" and *"Understanding the Factors Driving CSO Financial Sustainability"*.

For more information about the activity, please see visit our website or get in touch with te team:

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