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Formulating Strategies to Mobilize Resources

From **Mobilizing Resources and Support** in **Foundation Building Sourcebook: A practitioners guide based upon experience from Africa, Asia, and Latin America**
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Section 1 Formulating Strategies to Mobilize Resources

How Are Strategies to Mobilize Resources Developed?

The foundations in this chapter share a common objective to mobilize resources in support of communities and organizations within their societies. Beyond a fundraising activity, they conceive of resource mobilization as one of the fundamental roles they play. The choice between different strategies is quite often the result of experimentation and consultation on the part of a committed individual or group.

Strategies are often relatively straight forward and flexible enough to allow for evolution and new approaches over time. They are often shared quite openly and explicitly. The agreement and involvement of various constituents of the foundation—board, staff, partners and donors—is often a component of successful strategies.

Example 1 Raising Support to Strengthen Local Action and Philanthropy
Foundation for Community Development (Mozambique)

Example 2 Creating New Assets for NGOsTthrough a Market Approach
Foundation for Higher Education (Colombia)

Example 3 Building a Bridge Between Businesses and Environmental Groups
Dana Mitra Lingkungan (Indonesia)

What Should be Assessed?

Having a clear notion of where to focus effort depends on an assessment of the operating environment. To a large extent, the cases described here have started by asking many of the same questions:

- What resources are needed?
- What resources are already committed to the foundation? How much money and time can the foundation invest in mobilizing resources?
- What are the local philanthropic traditions (individuals and businesses)?
- What are the trends in international assistance (official development assistance, private foundations and NGOs)?
- In many countries, fundraising is a relatively new activity. Where can the foundation find fundraising skills and experience?
- How will the larger environment—for example, laws and regulations affecting the nonprofit sector—affect its efforts?

What are the Strengths of the Foundation?

The foundations discussed below have attempted to formulate strategies that will build upon their comparative advantages. These foundations carved out niches for themselves that take advantage of their unique missions and their relationships with individuals and organizations. Some advantages of foundations emerging from the cases are:

- Strong relationships with local communities and organizations
- Capacity to relate to business and government
- A focus on mobilizing resources more broadly than for themselves
- Access to an endowment or some other form of secure financing
- Cogent missions and objectives that can be widely shared
- Accounting systems to ensure that resources get to where they are intended

What are Some Resource Mobilization Strategies?

The strategies presented in this chapter have been effective in the particular context in which they arose. The list is by no means comprehensive.

- **Develop contributions and involvement of businesses** as a way for them to improve their image and be a part of the solution to environmental problems (Dana Mitra Lingkungan—DML)
- **Use the foundation's skill and experience in financial management** to create a profit-making credit institution (Foundation for Higher Education—FES)
- **Partner with international donors** to raise support for strengthening civil society and building local philanthropic traditions (Foundation for Community Development—FDC)
- **Build an endowment** from corporate and individual contributions (all three organizations), a debt for development swap (FDC) and/or earned income (FES).

Summary Points

It takes resources to raise resources. It is easy to underestimate the time, resources and skills involved not only in fundraising but in maintaining good communications and relations with donors. The FDC, for example, learned that it needed good strategies to reduce this cost and increase its communications capacity.

Having a diversified resource base can help prevent problems caused by the loss of any single source. The saying warns not to put all eggs in one basket. Likewise, a single source of funding may produce significant income for a time but its loss could cripple the foundation. The DML began to shift more of its efforts into endowment building and raising funds from overseas development agencies, when its primary source of funding, corporate philanthropy, was endangered.

How resources are mobilized is linked to the success of the foundation's programs in more ways than the money raised. The resources a foundation raises represent a growing commitment on the part of society to take action. Thus, having a track record, strong partners and a good communications program has been essential for the foundations in this chapter. In the case of FES, the financial services it offered to NGOs both increased its capacity to earn income and assisted its partners to manage and grow their own resources.

Foundations raise resources for three functional purposes: program, operations and endowment. Foundations raise funds to use toward the social impact they plan to make. As grantmakers, they intend and promise to get this funding to a target community or to solve a problem. They must cover their expenses and invest in raising new resources if they are to effectively play this role. Over the long-term an endowment will ensure the sustainability of their efforts.

Example 1 Raising Support to Strengthen Local Action and Philanthropy

Foundation for Community Development (Mozambique)

Formulating a Strategy

Mozambique, in the beginning of the 1990s, was the poorest country in the world. It had been devastated by war. Because its internal infrastructure had been so damaged a large part of the relief work was carried out under the aegis of international non-governmental organizations like Save the Children. The country also had a socialist government that was considering a move towards more market-based approaches.

The Foundation for Community Development (FDC) wanted to facilitate self-reliant development in the country. FDC was particularly concerned to rebuild the capacity of civil society, which it felt was a critical step towards social and economic progress. Because Mozambique was so poor, FDC knew it would need to be able to raise financial resources from outside the country. Nevertheless, as its primary objective was to rebuild local capacity, including a sustainable philanthropy, the founders felt that it was also crucial to raise funds locally from the beginning.

The founders of the FDC decided to raise funding from foreign donors to strengthen local capacity for development and to foster the growth of local philanthropy. The Foundation pursued this strategy by raising its first program and operating funds from US foundations, and starting an endowment with contributions from Mozambicans and participation in a debt swap. This excerpt from a 1993 proposal to the John D. and Catherine T. MacArthur Foundation discusses how FDC planned to stimulate the growth of local philanthropy:

> Even more important, in terms of the foundation being Mozambican, although not in terms of total amount, will be attracting contributions from the Mozambican people and businesses. Even though Mozambique is now the poorest country in the world, there are groups and individuals with capital, and everyone knows that the improvement of the Mozambican economy depends on the country's ability to solve its enormous poverty problem. The Minister of Finance has proposed a tax exemption for contributions to the foundation, which should provide even greater incentives. Nevertheless, there will be a considerable amount of work to approach and convince all the relevant groups to participate.[1]

Pursuing the Strategy

FDC's efforts to reach out to local businesses paid off over two years with over US$100,000 in endowment contributions. These contributions were an important leverage for its participation in a debt swap that raised about US$3 million. Beyond one-time endowment contributions, FDC received over US$500,000 for its grantmaking program from three local businesses.

By 1998, FDC had raised funding from roughly 15 foundations and international NGOs. In addition, it raised funds and worked together with United Nation's agencies, the World Bank and five major bilateral agencies. It realized as it began to manage funding from a diverse number of sources that it needed to devote more energy to its fundraising program. Communicating and responding to its donors in a timely and accountable manner, required a proficient staff and good systems. Carlos Fumo, FDC's executive director, notes:

> Fundraising is a part of our annual program. We attempt to factor in time and resources spent in fundraising. Ad hoc fundraising—strengthening and building relationships through travel and participation in local and international conferences—is hard to plan for but is an important supplement to our program. We believe many things should happen before we start negotiating with a potential funder. We need a strong communications capacity. We must market ourselves and be clear about our products, markets and marketing strategy.[2]

Evaluating the Strategy

In 1996, FDC began evaluating its fundraising efforts. By this point it had some experience in fundraising and saw it both from the perspective of a donor (in its grantmaking program) and a beneficiary (as a recipient of funds from other donors). It saw that how funds were raised had an impact on the outcome of the development processes it was working to put in place. Fumo explains:

> Development-oriented organizations based in civil society are a relatively new phenomenon in Mozambique, few have much experience with the art of fundraising. Often the culture is to beg for money, not to negotiate as equal partners. By begging you do not make a positive case, you

> focus on a problem and then wait for the benevolence of the donor. The first step is to see that you have something valuable to offer. A donor, in essence, is buying something from you. What you offer needs to meet your own ends and attract sufficient funding. At FDC, we are beginning to think in this way. We have moved closer to negotiating with donors who want us to deliver high-quality services—for example, as effective grantmakers, conveners of civil society and advocates for social and economic development. That is how we seek to present ourselves.[3]

FDC staff found that it can be a difficult task to manage an effective fundraising effort with a group of often distant international funders. To consolidate efforts and become more responsive to its donor's needs, FDC began to ask how it could raise fewer but larger grants aimed at its grantmaking agenda—identifying and supporting proposals towards effecting the social or economic changes that are its objectives—and not at single project grants (for example, an isolated grant that may not fit within its broader agenda). Fumo explains:

> Central to our new strategy is to partner with donors around our grantmaking agenda rather than to raise smaller project-by-project grants. Our advantage is that we are a Mozambican foundation that will support organizations in this country for the long run. Our success can leverage additional resources (both at the community and other levels).[4]

Example 2 Creating Financing for Civil Society Through a Market Approach
Foundation For Higher Education (Colombia)

Formulating a Strategy

The Foundation for Higher Education (FES) was originally set up as a way of generating support for the University del Valle in Cali, Colombia, but by the mid-1970s it had begun to support education, health and social development processes more broadly. Given its roots in higher education, it had good access to knowledge and specialized expertise. It had also built a track record in the management of financial resources.

With the active participation of bankers and business people on the board and a staff with strong financial management skills, FES began to think through a new profit-based strategy in the early 1970s. It wanted to become more self supporting. Many of the trustees were enthusiastic about adopting entrepreneurial approaches in the service of economic and social development. This discussion sprang from an MBA program at University del Valle based on the organizational management philosophy of Professor Peter F. Drucker. Several of the trustees had embraced an idea from the course that entrepreneurial success and social responsibility can work hand in hand.

Board members felt that FES' assets—grant funding it was managing and investing—could leverage additional funds. FES had been investing (with the approval of its donors, primarily US foundations) grant money that did not need to be immediately disbursed in secure loans at prevailing market rates. It split returns on the basis of 75% for the recipient and 25% for FES, with which it had built a small fund. Building on this experience, FES decided to launch a financial company that would manage and grow civil society financing.

Pursuing the Strategy

FES sought and, in 1975, was authorized by Colombia's Superintendent of Banks to operate as a "commercial financing company," giving it the right to seek monetary resources in the capital market and make loans. Deposits and loans in these operations were linked to capital accumulation and, as such, they increased FES's earning capacity. FES's professional financial expertise began to evolve rapidly. It soon established a Financial Committee and a new Finance Division (which later became the Vice Presidency for Finance).

FES received deposits, primarily, from other NGOs. This was a role that facilitated interaction with them and later led to the creation of an important network of NGOs under its leadership. FES maintained its grantmaking programs but the addition of its financial services allowed it to generate funding from grantmaking and strengthen partner NGOs from several approaches.

In the late 1970s, the staff and Board debated whether they should reinvest endowment income so they would have the financial capacity to fund more programs later on, or whether they should scale up their grantmaking with the increased income. They resolved this issue by creating with their partner NGOs permanent endowment funds that FES would manage. The strategy was to constitute endowment funds with resources donated for a specific objective which FES would match with a 50% contribution, guaranteeing revenues equivalent to the market rate for fixed term deposits plus one percent. These endowment funds would be managed and owned by FES on behalf of an NGO that would receive an annual income from the profits. In this way FES would be able to both increase its endowment funds and its support for partner NGOs at the same time.

Evaluating the Strategy

From 1982 to 1987, Colombia's commercial banking sector underwent a period of crisis, during which several banks were placed under central government control. This crisis reinforced the public's trust in institutions such as FES that had remained untainted—thus deposits continued to grow. The value of permanent endowment funds grew from US $2 million in 1980 to US$ 11 million in 1990 and its financial deposits grew from US$ 27million in 1980 to US$ 88.2 million in 1990.[5]

The creation of permanent matching funds during this period sparked the rapid growth of FES' endowment and increased financial capacity. NGOs embraced the concept of what amounted to an institutional endowment managed by FES that returned yearly unrestricted income for their programs. By 1995, FES managed over US$20 million dollars in over 389 permanent endowment funds, representing 53% of its total net capital endowment

FES is now the center of a group of companies that provide financial services. Its head office is the largest commercial financing company in Colombia. The Foundation carries out all kinds of operations as a credit establishment: it receives public savings through Fixed Term Deposits and savings accounts, negotiates securities, issues bank acceptances and bonds and has its own credit card in association with Visa.

The success of FES' strategy can be traced to an entrepreneurial CEO and staff that was able to take advantage of business opportunities when they arose and to a conducive legal environment in which it could register as a financing company. As a financial services company, FES has proven to be successful and profitable. As an NGO, it has also developed strong credibility, however, FES staff see that these two sides are a potential source of tension. To ensure that it maintains a good balance between profit and nonprofit goals, FES continues to emphasize leadership, dialogue and consensus and self-examination processes, especially those inspired by theorist Drucker.

In 1999, the government of Colombia began to threaten to nationalize FES' financial deposits. The move came very unexpectedly and the situation has not been resolved as of the time that this case was written.

Example 3 Building a Bridge Between Businesses and Environmental Groups

Dana Mitra Lingkungan (Indonesia)

Formulating a Strategy

Dana Mitra Lingkungan (DML meaning "Friends of the Environment Fund") was established in 1983 as a mediator between business and NGO communities in Indonesia. DML fulfills this role by providing grants to environment-related activities of NGOs on the basis of funds accumulated through the contributions of the business community.[6]

By 1983, an increasing awareness of environmental problems in the country and the perception that business was at the heart of these problems had polarized relations between environmental organizations and the business sector. At the time, some Indonesian businesses were receptive to improving their public image by using some of their profits to fund environmental conservation. They wanted to be seen as part of the solution and believed that DML would bridge the gap between business and environmental organizations.

DML's founding members and first Board were primarily highly respected businessmen with good access to their peers within other companies. Because of this and the need they saw to build a bridge between business and environmental groups, they adopted a strategy of mobilizing funds from business for the purpose of helping to conserve the environment. DML channels these funds to assist NGOs and activities related to environmental conservation, including research by universities. The organization is unique in the Indonesian context as a local foundation that raises funds domestically. Through regular contributions, businesses became members. DML somewhat later received the agreement of its members to set up an endowment—its second strategy for building a resource base.

Pursuing the Strategy

Strong support came from PT Aqua Golden Mississippi, a water bottling company founded in 1973. Because it wanted its product to be identified with a clean environment, Aqua saw clear benefits from establishing a relationship with DML and by 1997 had contributed over 1.5 billion Indonesian Rupees (worth nearly

US$650,000 at 1997 exchange rates). Aqua's public commitment to DML is stated on their website:

> In addition, we have formed close ties with Yayasan Dana Mitra Lingkungan (Friends of the Environment Fund) to select and distribute the excess funds generated from the PEDULI AQUA program for environmental preservation and care. As at March 31, 1997, the cumulative donation has reached 1,550,000,000 rupiahs.[7]

Over 300 corporations and individuals became members of DML by paying annual subscription dues thus obtaining the title "Friend of the Environment." DML solicits three types of support from corporations:

- Endowment contributions
- Dues and
- Donations for program-related activities

DML maintains an Executive Board that, among other functions, assists staff to develop its membership. In 1996, four out of 18 Executive Board members were responsible for membership accreditation.

DML built an endowment from member subscriptions and the contributions of member companies. The founders endowed DML with a little less than 2 million rupiahs (about US$1800 in 1985). By 1997, this fund had grown to more than 2.1 billion rupiahs (about US$900,000). The addition of an endowment building effort added a new way in which corporations could give to environmental causes through DML; the foundation continued to also raise corporate contributions for its programs and operating costs.

Evaluating the Strategy

DML had proven that it had the capacity to act as a bridge between corporate funding and the environment by the late 1990s. It was, however, not fully prepared for the tumultuous events that were to follow. The Asian economic crisis in 1997 rocked the Indonesian economy and translated into significantly reduced business contributions to DML.

Luckily, before the crisis DML had begun to raise endowment funds and consider new ways to supplement its business-centered strategy. DML's Executive Director at that time had felt that contribution levels were not reflective of the business sector's growth in wealth and influence and he thus began to look for additional sources of funding. He believed that business executives had tended to become more pragmatic about how they approach philanthropy, even though they had more money to contribute in the (pre-economic crisis) mid-1990s than they did in the mid-1980s.

While its endowment was able to sustain it at reduced levels after the crash, DML began to approach international donor organizations, an option it had previously been exploring. As of 1998, DML was negotiating assistance from the United States-Asia Environment Partnership; the United Nations Industrial Development Organization, and the Toyota Foundation.

The Board also felt that DML was not raising the level of contributions that it could from the corporate sector. To improve DML's approach to the business sectors, the the Board hired a new executive director with extensive experience in business and public relations.

References

[1] FDC. Proposal to the John D. and Catherine T. MacArthur Foundation. 1993.

[2] Conversation with Carlos Fumo, Executive Director, FDC. December 1998.

[3] *Ibid.*

[4] *Ibid.*

[5] Ocampo, Alfredo. *Fundación para la Educación Superior (Colombia)*. New York: The Synergos Institute, 1997.

[6] Case draws from *Dana Mitra Lingkungan (DML): A Case Study*. The Synergos Institute, 1998.

[7] Company website: www.aqua.com/.