

HOW TO RAISE FUNDS FOR NGOS

A. Fundraising as one of the activities of NGOs and how to plan for it.

Raising funds is an operation of NGOs that can stir strong emotions. **If fundraising is successful**, there is satisfaction in knowing that **people can fully concentrate on the cause** the organization cares most about. Should fundraising fail, tensions and uncertainty about the future can arise.

Metaphorically speaking, the concept of fundraising can be as much about “luck” as it can be about “gold mining”. It can be as systematic and rewarding as gardening, or as frustrating as begging. Working in fundraising can be as bureaucratic banking, or it can be people-oriented like a job in sales.

We can view fundraising as a process (i.e. activities, procedures), or as a means of securing funding for a cause. In the end, it is a “people business” and is very much about **establishing and developing** meaningful **relationships** with donors and engaging donors personally and financially.

Fundraising Matrix – a fundraising planning tool

One systematic approach that NGOs take is fundraising planning. A *fundraising matrix* can serve as a framework to capture the fundraising planning results. It is a simple tool to help NGOs answer all the major questions related to its financing and possible funding sources. The purpose of fundraising planning (with or without the fundraising matrix) is to avoid unnecessary expenditure of time, effort, and money on inefficient fundraising activities. A well-prepared and regularly updated fundraising matrix will help the fundraiser focus his/her efforts.

RAISING FUNDS				
For What?	How Much?	From Whom?	How?	When?
(Budget items that need to be covered through fundraising)	(Three scenarios for expenditures – minimum, realistic, maximum)	(Possible sources)	(Ways and techniques of fundraising and communicating with donors)	(Important deadlines, time restrictions)
Programme costs				
Salaries				
Office rental				
Communication costs				
Utilities				
Travel expenditures				
Technical equipment				
Training and further education				
Other costs				

B. Developing relationships with donors

Fundraising is essentially about relationships. Establishing and further developing relationships with donors lies at the core of the work of a fundraiser.

In an NGO with a cause, this can be done in the following ways:

1) strengthening donor's commitment to the cause,

or

2) strengthening donor's commitment to the NGO

Relationship with a donor may (and ideally should) evolve through even more advanced stages of giving (exhibited below in the so-called Donor Pyramid):



Taking a joint journey with a donor requires not only that the donor be loyal to the NGO but also that the **NGO be loyal to the donor**.

The elements known to increase NGO-Donor relationships are:

- 1) active cultivation,**
- 2) respect, and**
- 3) appreciation.**

Active cultivation involves systematic steps to **identify the interests of donors, and their donor preferences**. It involves getting to know them (i.e. who they are, what they need or wish for and how and why they support us).

Perhaps the **donor values** the work the NGO does for the **cause**, not necessarily being emotionally attached to the NGO itself. If this is the case, the NGO should encourage the donor to get to know the organization. One way that this could be achieved could be by

inviting him/her to events where they can meet the NGO staff in person and develop an appreciation for the professionalism of the organization.

On the other hand, perhaps the **donor knows the NGO** quite well (its leadership and its activities), but does not care deeply for the cause the organization chooses to address. Such donors may include friends or family members of NGO staff who support the NGO because of their existing relationships and not because of a heartfelt desire to advance the specific cause. In this situation, an invitation to see first-hand the impact of organization's activities and meet its beneficiaries, could help.

Any donor relationship building will require keeping **accurate and up-to-date records** of: how to contact the donor; when and why the donor became a supporter; what donations he/she has already given; and who from the organization has communicated with him/her in the past. Such information is best stored in a **donor relationship management software**.

The **donor engagement portfolio** then includes possible ways to keep the donor engaged. It may include, for example:

- ✓ **Invitation** for the donor to visit the NGO;
- ✓ **A meeting** with the donor outside of NGO office (perhaps at an event or at the site of the beneficiaries);
- ✓ **Assistance to the supporter** in his/her professional or social life;
- ✓ Quick and appropriate thank you communication after each gift; or
- ✓ **A small gift** as a sign of appreciation for the donor's involvement.

C. Individual giving

Individual support to an NGO may take many forms, some of which includes 'one-off' gift giving or regular giving:

- **Wage deductions** – a form of regular giving whereby individual employees agree to have deductions made from their monthly salary to be sent to an NGO of their choice. Probably the most well known organisation using this method is the United Way, which is active across the world.
- **Special events** – fundraising activities aimed at providing an entertaining and interesting means of collecting financial contributions from individual donors. This may involve, for example, an auction of children's artwork, a fundraising walk (walk-a-thon), special fundraising dinner, etc.
- **Direct person-to-person contact** – is one of the most demanding forms of approaching individual donors and requires a large number of regular volunteers. Nonetheless, this is one of most effective forms of fundraising because it allows for direct contact with the donor.
- **Membership fees** – a way of formalizing an individual donor's relationship with an NGO is through membership. In many countries with well-developed fundraising, this form of annual support works well to provide a predictable income stream for the NGO as well as to help build its donor base (from which major donors could come at a later date).
- **Direct mailing or telephone calls** – approaching individual donors by letter or telephone. This method requires the facility to send money directly from home by post (e.g. cheque) or online (e.g. online banking).
- **Mobile phone donor text messages** – in some countries it is possible to arrange receiving gifts in the form of text messages whereby the amount of the gift is deducted from the mobile phone user's account.
- **Direct dialogue** – a fundraising method of approaching possible donors in the street with the goal of signing them up for regular monthly, quarterly or annual giving.
- **Crowdfunding** - a relatively new "little-from-many" method of raising funds using a combination of online campaigns requesting donations through the internet.

PHILANTHROPIC STYLES OF MAJOR INDIVIDUAL DONORS

(adapted from Prince, File, Gillespie)

1. **Communitarians** – donors who value neighbourly relationships and bonds within their communities. They may be described by the phrase, “My family has lived here for over two generations, and I will never leave. I give money to my community because I have my roots here”.
2. **The Devout** – donors who direct their gifts primarily at religious activities. One of them gave his reasons as follows: “God gave me the talent to make money. He gave me this gift so that I could share it with others. If people want to grow spiritually, they should become involved in charity”.
3. **Investors** – who support umbrella and development organizations (such as community foundations) with a long-term effect and a higher probability of success. These are mostly successful entrepreneurs, and their typical attitude was: “I know that if I give my money to a community foundation, it will not disappear. The question does not lie in whether to give or not. Of course it is necessary to give, but in such a way that this investment brings the greatest benefit”.
4. **Socialites** – who support art, education, and religious activities – anything that promotes networking of people. A typical phrase heard in this group was: “I wanted to do something beneficial and meaningful. It is wonderful that people capable of making changes can be brought together this way”.
5. **Repayers** – who help because they feel the need to ‘repay their debt’ to others, because their loved ones have social or health problems, or because they expect that other people will be more willing to help them if this becomes necessary. The typical members of this group are high-ranking, successful professionals (neurosurgeons, businesspeople, etc.), who support the schools they studied at. A typical comment from a wealthy owner of a travel agency: “I have just given a large gift to the social institutions that fed and clothed me when I was a child. I would like to offer other children the same things that once saved me”.
6. **Altruists** – who seek self-realization through helping others. They are mainly focused towards the elderly and the poor. Reasons for this include: “Giving is a path to self-realization. Gifts must be made on principle; it gives meaning to life”.
7. **Dynasts** – who are concerned with social status, recognition, and position. Most of them own inherited family businesses, and there has always been a tradition of charity in their

family. They are happy when they can help a visible project or charity (hospitals, museums, etc.). They are characterized by comments such as: "Charity was always encouraged in our family. We didn't have much money, but we always gave to charity. At home, I learned that we must always help those who are less fortunate than ourselves. My mother would be proud of me".

D. Fundraising from business companies

Corporations may and do care about their “bottom line” but they increasingly recognize the need to take into consideration not just **economic impact** of their activities but also **social and environmental impact**. The single focus on the “bottom line” has been expanded to triple their bottom line through the adoption of corporate social responsibility policies.

NGOs can position themselves as potential business partners in “win-win” situations by tapping into new types of resources to advance their causes. While there are no hard and fast rules for an NGO to establish and further develop beneficial relationships with companies, the following steps provide simple and helpful guidelines:

5 Steps to attracting corporate support

1. *Know your organization well*

What values do you stand for?

What is the brand of your organization?

Who is your audience?

2. *Get to know your potential partners*

Who are they?

What are their values?

What is their brand?

Who is their audience?

3. *Be aware of what you have to offer*

- ✓ **Partnerships** – this involves long-term cooperation with a business whereby a company provides ‘co-funding’ and ‘in-kind resources’ for the activities of an NGO. The company gets visibility in return and association of its brand with the values that the NGO promotes.
- ✓ **Cause-related programs** – these are designed to bring visibility to an NGO cause while increasing the revenue of a company that has messaging on their products that support the NGO (e.g. “In buying this product you support this

cause").

- ✓ **Sponsorship of events, programs, activities** – in this case, a company seeks to increase its brand awareness by placing its logo on communication and promotional materials used by an NGO for events or activities.
- ✓ **Membership on advisory boards** – an excellent way of engaging with experienced businessmen who contribute their professional skills and knowledge by serving on an advisory board of the NGO. Oftentimes, they add financial gifts to the NGO and possibly help with its fundraising as well.
- ✓ **Corporate philanthropy or grants** – a very popular way for NGOs to engage with businesses. As long as national legislation provides tax benefits for it, this arrangement can work fine for the company as well.
- ✓ **In-kind contributions (media, services, products, staff, patents, etc.)** – an important resource for NGOs who wish to minimize their costs and get involved with a company's causes (one which is not providing direct financial support).
- ✓ **Engagement of corporate volunteers** – sometimes companies allow for and support their staff's voluntary work for NGOs of their choice. This is known to increase the loyalty of the company's staff while also bringing in the benefits of volunteers' working for the NGO.
- ✓ **Sales of products or services** – should an NGO be able to provide products or services to a company in exchange for a fee (e.g. an NGO selling products made in sheltered workplaces for the handicapped being sent to companies as 'socially-responsible' gifts). This arrangement could become one of the NGO's income streams.

4. *Target the relevant business partners*

5. *Create meaningful partnership opportunities*

E. Fundraising campaigns

Fundraising from individual donors is regarded as one of the most well-tested approaches to fundraising. For simplicity, two major strategies are usually described: **little from many**, and **much from few**. While the latter is covered in more depth in the following pages, the former will be described here.

Little from Many

This approach involves raising donations from a large number of 'small', individual donors, where the loss of one or two will not prove fatal to the organisation (in contrast to organisations who are supported by large foundations). This is one of the reasons why this method is a prerequisite for ensuring the stability of an organisation.

In addition, building a major base of donors who contribute small amounts, often proves to be necessary for major individual gifts and planned gifts to appear.

All ways of approaching individual donors have a number of common characteristics. They almost always involve working with four groups: **the media**, **sponsors**, **intermediaries**, and **individual donors**. Let us discuss each of these groups in more detail.

The Media

Media outreach might be the single most important factor to succeeding in approaching individual donors. It is crucial for establishing trust in the cause and the organization. It is also one of the most difficult groups to influence and inspire in favor of a fundraising campaign. Advance planning and winning media-connected people onto your side helps and this may be achieved through the NGO **board of directors** or its **advisory bodies**.

When working with the media, two basic groups must be addressed above all: **experts** on communication with the media, and **well-known celebrities**.

Most non-profit organisations do not have sufficient internal expertise to do what media experts are able to do – design and plan a media campaign. These are mostly experts from advertising, public relations (PR) or media planning agencies, who include campaign staff along with the PR creative team. The first group can be of assistance in preparing the campaign itself – technical details and the arguments that must be prepared for dialogue with the media. The second group can help with innovative ideas – how to approach individual donors in an original way and distinguishing the voice of the NGO from others.

Celebrities give fundraising collections/campaigns the much-needed status boost in the eyes of the public, making them an important element of campaign preparations.

Sponsors

Naturally, most non-profit organisations cannot afford to cover the full of a wide-scale fundraising campaign aimed at individual donors. Support from **sponsoring companies** can be of major help, **mostly in-kind**. Sponsors are mainly concerned with their visibility and the branding (i.e. associating their brand with a positive or charitable activity). That is what makes them interested in the media aspect of a campaign. Non-profit organisations “sell sponsors” by the media space they raise for their cause. Such media space needs to be appraised so that the NGO knows what level of sponsorship to aim for when making the space available to sponsoring companies. Another aspect to consider is how to allocate the media space – whether to give it to one “general sponsor” or to a number of smaller sponsors. Getting advice from PR consultants helps as they have knowledge of the market and are able to estimate what a non-profit organisation might achieve with the media space that it has available.

Intermediaries

It is only worthwhile to approach individual donors with an appeal for support if you suspect that they will respond in large numbers. One of the difficulties of this process, lies in how their gifts will be collected. Collecting cash is not always the best option but asking people to go online and send donations using their credit cards may cause the donor to simply ‘cool off’. This is why intermediaries play an essential role in all methods of individual giving as they help collect individual contributions. The costs for such collection can drastically change the financial outcome of a fundraising campaign. Working with intermediaries, volunteers are the best solution, even if even then they need to be trained at cost. Recruiting and working with volunteers often requires employing a paid manager, further increasing the expenses. The intermediation may take place by telephone or through an ‘on-the-street’ presence.

Individual donors

The individual’s decision to give a donation depends upon a great number of factors. Yet, the selected few below will be able to help you prepare a convincing campaign:

Emotion

This is a fundamental factor that can be found in every advertising manager’s handbook. Ultimately, individuals do not make decisions purely on rational consideration, but rather intuitively and emotionally. This is often the case when making decisions on which charitable cause to support. An appreciation of this fact may save you a great deal of redundant explanations and arguments throughout a given campaign. The more you are able to generate empathy for your cause, the greater the response you will receive from individuals.

Trust

Trust is something that must be in place even before you start the fundraising appeal. You need to show certain track record in raising funds and experience in bringing

benefit to the target groups. You can 'borrow' status from celebrities who "give their face" to the campaign, however, be aware of such celebrities needs to your organisation as well (especially when it comes to the cause you are fighting for), as this sometimes requires an enormous amount of time and energy.

The ease of giving

This is probably the most important factor for individuals. The more difficult the method of making a donation, the longer it takes - from the moment of decision to actual payment. Consequently, this can reduce the likelihood that the prospective donor will actually send the donation.

Whether using donor text messages, putting cash in a collection box in the street or going online using a smartphone to do the banking transaction, the simpler the actual payment mechanism - the better.

Simplicity of communication

The accessibility of information, its brevity, and its comprehensibility are decisive factors for individuals when gathering information on a collection. Certain websites provide very good examples of such simplicity, presenting a simple overview upon which to access the site, while also offering individuals the ability to read about the key issues in more detail.

G. Exercises

QUIZ: Ethical Fundraising

(adapted from Janice Gow Pettey, 2013)

- 1) Is it permissible for the fundraiser's compensation is determined as a percentage of the amount of funds he raised. YES-NO
- 2) Is it alright if the fundraiser is local and knows that the possible donors raised gifts for other organizations that he worked for in the past? YES-NO
- 3) Funds raised before 31st December must be accounted for an income of that year. YES-NO
- 4) The conflict of interest policy of the board of directors helps to find recommendations for difficult situations. This policy should have no legal impact on the organization. YES-NO
- 5) From an ethical perspective, the staff of an NGO should not receive bonuses in addition to their regular salaries. YES-NO
- 6) Organization staff must accept the conflict of interest policy, just as members of the board accept it. YES-NO

- 7) If a donor provides funding to a specific program, the donation belongs to the organization and it is alright if it uses it for other programs (i.e. where the money is most needed), provided this is done only in 'exceptional' cases. YES-NO
- 8) The responsibility for any unethical activity in fundraising is carried equally by the executive director and the fundraiser (or the board). YES-NO
- 9) Fundraisers carry full responsibility for any activities with the financial/legal/PR steps they take in fundraising. YES-NO
- 10) A member of the board suggests that the fundraiser asks for support from a potential donor who regularly supports another NGO. The fundraiser knows the donor well because he himself used to work for the other NGO as a colleague of the donor. In such a case, the fundraiser should not ask for support from his former colleague (a potential donor). YES-NO

Recommended responses: 1N,2N,3Y,4N,5N,6Y,7N,8Y,9Y,10Y.

EXERCISE: How are you doing in your fundraising?

Instruction: Try to answer the following questions truthfully, and in discussions with your organisation, address those areas where the situation *could* and *should* be changed. Answer each question with one of the four options below, and after you have finished the test, award yourself the appropriate number of points:

- DEFINITELY..... 4 points
YES, BUT COULD BE BETTER..... 3 points
NO..... 2 points
DON'T KNOW..... 1 point

1. Have you drawn up a written, annual fundraising plan?
2. Does your organisation have (or are you planning to train) a dedicated member of staff who is coordinates grants and fundraising activities for your organisation?
3. Do you know who the managers and programme coordinators are at the foundations and institutions that support your programmes?
4. Taking your past results and present capabilities into consideration, would you consider your fundraising goals to be 'realistic'?
5. Are most of the members of your board of directors actively involved in some form of fundraising for your organisation?
6. Does your organisation receive support from a number of sources of a different type?
7. Have you drawn up a strategy for further developing relationships with your key donors?
8. Do you meet your fundraising goals?
9. Do you evaluate and analyse each of your successful and unsuccessful fundraising activities?
10. Do you have enough (up-to-date) information about your current sponsors or donors – for example, the history of a corporation or foundation, their mission, their priorities for the current year, and other specific details about them?
11. Do you know how to set up donor research?
12. Do you engage with your donors regularly?
13. Does your organisation keep a database of past annual reports, key data about your organisation, past project proposals and information on gifts received from your past and present donors?
14. Do you submit your grant applications on time (and in full)?
15. Do you submit reports on supported projects to your donors on time (and in full)?
16. Do you have people from the business sector on your board of directors?
17. Do you exchange information on donors with other non-profit organisations with the prospect of creating possible partnerships or alliances?

18. Do you know which businesses in your region support local NGOs and what their CSR strategies are?
19. Are you capable of generating income from selling services to businesses in your community?
20. Do you know any key donors who may be able to provide major planned or regular contributions to causes you care about?
21. Do you understand the difference between operating funds, reserve funds, and endowments?
22. Do you understand the differences in fundraising methods for each of these areas (operating funds, reserves, and endowments)?

Evaluation

78-88 points: Congratulations! If you have answered truthfully and your organisation really has achieved such a high number of points, so you are in a position to start sharing your success story with others. If despite this result, your organisation still struggles with raising enough funds, then your organisation has almost certainly experienced rapid growth. It is then probably a good time to think about other, more challenging approaches. What about income generation from the sale of products or services? Or the possibility of creating a strategic partnership with a business? If this is not the case, then ask yourself a question – is everything all right with your current mission? Does it still inspire people?

60-77 points: You are on the right track. Make a note of those areas where you received less than 4 points and discuss them at your organisation's next strategic planning meeting. It is always possible to improve. And if you do not usually hold strategic planning meetings to plan for the long term... well, then it is high time to begin if you are serious about your fundraising.

22-59 points: Go through each question in this mini-test once more, and pay particular attention to those questions where your response was "I don't know". Perhaps your strategy for raising funds is not fully under control yet. Maybe you do fundraising only spontaneously and in an unplanned manner. Don't worry why you are constantly struggling with enormous fluctuations in financing for your organisation's programmes. Such uncertainty is probably unsettling for everyone. Perhaps you should approach the situation more proactively. First clarify what you really want to do – things that are genuinely necessary – and once you have done this, concentrate your efforts on creative fundraising (in accordance with this plan).

QUIZ: What do you (not) know about raising funds...

Please pick as one answer which you consider to be true.

1) One of the basic rights of a donor is:

- a) the right to know the how much individual staff are paid in the organization he/she supports
- b) the right to be informed and consulted when the organization wishes to spend donated money differently than announced at the time of receipt
- c) the right to require that the organization receiving donation promotes the donor to the extent found reasonable by the donor

2) When an NGO receives income from membership fees, the major benefit of setting various levels of membership fees (e.g. individual membership, family membership, corporate membership etc.) is:

- a) ability to better involve supporters with various levels of engagement
- b) a chance to get at least some support from people who would otherwise did not give any gift
- c) not to waste disproportionate time and energy on small supporters

3) Research has shown that existing supporters of an NGO:

- a) are approximately as tolerant to mishaps in the organization as the eneral public is
- b) have higher expectations of the organization and are quicker to criticise it than the general population
- c) are more understanding of the various difficulties within the organization than general population

4) One of the growing trends in individual giving includes:

- a) donors wish to stay anonymous
- b) personalization – customization of fundraising for each donor
- c) giving in response to direct mail

5) In fundraising it is true that:

- a) personal contact with the donor is a must
- b) money follows ideas and flows through people;
- c) good presentation and persuasion skills more then outweigh a lack of strong vision or poor track record.

6) When giving thanks to a donor after a gift has been received, the most important thing to do is:

- a) provide accurate information of how the gift will be used
- b) send a thank you message as soon as possible
- c) have the leader of the organization sign the thank you letter

Correct answers: 1b, 2a, 3c, 4b, 5b, 6b.

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