

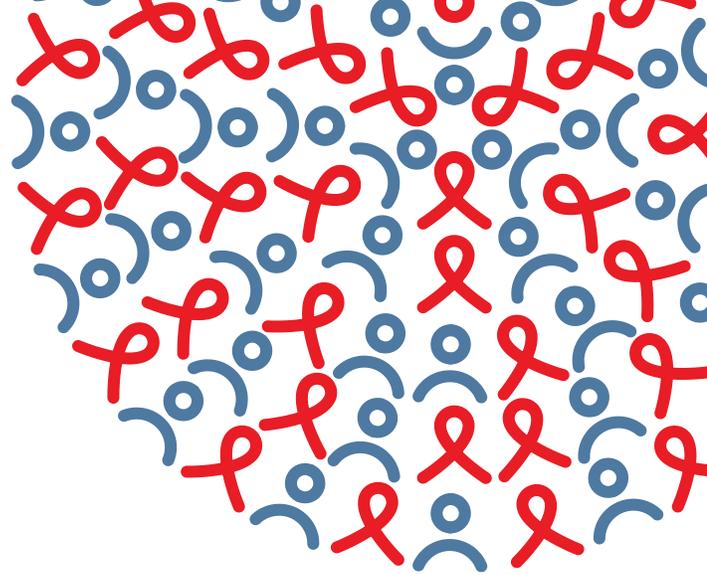


**Financing the Future:**

# A Primer on Sustainable Funding Models for Civil Society Organizations Supporting the HIV Response

January 2023





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EpiC is a global cooperative agreement dedicated to achieving and maintaining HIV epidemic control. It is led by FHI 360 with core partners Right to Care, Palladium International, and Population Services International (PSI).

For more information about EpiC, including the areas in which we offer technical assistance, click [here](#).

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# Background

## Intended audience

This primer is intended for use by staff of civil society organizations (CSOs) delivering HIV programming in communities around the world. The contents may be more broadly applicable to CSO staff working on health programming but was designed with CSOs addressing HIV in mind. The primer may also be of interest to donors, policymakers, government stakeholders, and advocates.

## Why is sustainable financing for CSOs important?

CSOs<sup>1</sup> play a critical role in the delivery of HIV prevention, care, and treatment services to vulnerable communities globally. Their involvement has been instrumental in scaling up the global HIV response<sup>2</sup> and introducing innovations across the entire HIV cascade to reach groups previously unserved, particularly key populations. Examples include increasing the reach of HIV testing to those who have previously not tested in Vietnam,<sup>3</sup> increasing the likelihood of access to HIV treatment in Nigeria,<sup>4</sup> and enabling effective interventions to reach scale.<sup>5</sup> The Joint United Nations Programme on HIV/AIDS (UNAIDS) recently announced a new recommendation for the amount of service delivery that should come from the CSO sector. The “30-60-80” targets are 30 percent of testing and treatment services, 60 percent of programs that support achievement of societal enablers, and 80 percent of HIV prevention programs for key populations be delivered by community-led organizations. World Health Organization (WHO), UNAIDS, PEPFAR, and the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) guidance documents all point to the essential role CSOs play in delivery of HIV services.



### Box 1: Decreasing international donor funding for HIV/AIDS

Between 2009 and 2020, international donor funding for HIV decreased by 30 percent. There is a significant gap between the estimated funding needed for the HIV response in 2025 and funding currently available. In 2021, US\$21.4 billion was available globally for HIV. Yet an estimated US\$29.3 billion will be needed in 2025 to end the AIDS epidemic by 2030. This funding gap is especially wide among low- and lower-middle income countries, with 44 percent more funding needed by 2025.

<sup>1</sup> Civil society organizations here refer to noncorporate, private, voluntary organizations including but not limited to community-based organizations, nonprofit organizations, nongovernmental organizations, networks or associations of organizations, research institutions, etc.

<sup>2</sup> Coutinho A, Roxo U, Epino H, Muganzi A, Dorward E, Pick B. The expanding role of civil society in the global HIV/AIDS response: what has the President’s Emergency Program for AIDS Relief’s role been? *J Acquir Immune Defic Syndr.* 2012;60(Suppl 3):S152-57. Available from: [http://bibliobase.sermais.pt:8008/BiblioNET/upload/PDF3/01953\\_The\\_Expanding\\_Role\\_of\\_Civil\\_Society\\_in\\_the\\_Global.15.pdf](http://bibliobase.sermais.pt:8008/BiblioNET/upload/PDF3/01953_The_Expanding_Role_of_Civil_Society_in_the_Global.15.pdf).

<sup>3</sup> Vu BN, Green KE, Phan HTT, Tran MH, Ngo HV, Vo SH, et al. Lay provider HIV testing: a promising strategy to reach the undiagnosed key populations in Vietnam. *PLoS ONE.* 2018;13(12):e0210063.

<sup>4</sup> Rodriguez-Garcia R, Bonnel R, Wilson D, N’Jie N. Investing in communities achieves results: findings from an evaluation of community responses to HIV and AIDS. Washington: World Bank; 2013.

<sup>5</sup> UNAIDS. Communities deliver: the crucial role of communities in reaching global targets to end the AIDS epidemic. Geneva: UNAIDS; 2015. Available from: [https://www.unaids.org/sites/default/files/media\\_asset/UNAIDS\\_JC2725\\_CommunitiesDeliver\\_en.pdf](https://www.unaids.org/sites/default/files/media_asset/UNAIDS_JC2725_CommunitiesDeliver_en.pdf).

However, CSOs are often dependent on funding from international donors, often a single one, to provide these vital services.<sup>6,7</sup> CSOs can and have adjusted to the changing funding environments, but donor restrictions, legal challenges in country, and other barriers make identifying and implementing a new model of funding challenging. CSOs in Ghana, for example, are needing to identify funding sources outside of international donors but lack the skills and understanding of the funding landscape to diversify.<sup>8</sup> Dependence on international donor funding causes instability in services available when donors shift funding priorities and reduce funding for a particular country (or transition out entirely), adapt priorities based on new and emerging threats, and reduce their financial commitments.<sup>9,10,11</sup>

Changing socioeconomic conditions in many countries indicate there may be a market for preferential or convenient services for a fee. A few studies found a market for informed clients to select differentiated treatment suited to their needs.<sup>12</sup> Some CSOs have been able to leverage willingness to pay for organizational revenue through offering differentiated services for a fee or establishing social enterprises to sell a needed product or service. While this is a new and exciting opportunity, the same willingness-to-pay studies caution that a need remains to ensure subsidized and/or free services are available to clients who lack the ability to pay to ensure equity in service coverage, continued service uptake,<sup>13</sup> and financial risk protection.

Given CSOs' critical role in service delivery to communities and their vulnerability to fluctuations in funding, identifying sustainable financing options is imperative. To do this, CSOs will have to strategically assess their funding sources and models then gradually diversify them to drive even more resources — monetary and otherwise.

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<sup>6</sup> Hecht R, Bennett S. Countries transitioning from donor health aid: we need a common research agenda and mechanisms for action. Health Affairs blog [Internet]. 2016 Nov 4 [cited 2023 Jan 18]. Available from: <https://www.healthaffairs.org/doi/10.1377/forefront.20161104.057399/full/>.

<sup>7</sup> Krivelyova A, Kakietek J, Connolly H, Bonnel R, Manteuffel B, Rodriguez-Garcia R, et al. Funding and expenditure of a sample of community-based organizations in Kenya, Nigeria, and Zimbabwe. AIDS Care. 2013;25(Suppl 1):S20-9.

<sup>8</sup> Krawczyk KA. IUPUI Lilly Family School of Philanthropy blog [Internet]. Ghanaian civil society: West Africa's 'shining democratic star?' 2020 Jul 17 [cited 2023 Jan 18]. Available from: <https://blog.philanthropy.iupui.edu/2020/07/17/ghanaian-civil-society-west-africas-shining-democratic-star/>.

<sup>9</sup> Pallas CL, Nguyen L. Donor withdrawal and local civil society organizations: an analysis of the HIV/AIDS sector in Vietnam. Dev Policy Rev. 2017;36(1):131-51.

<sup>10</sup> Friends of the Global Fight. Backing civil society to end the AIDS, tuberculosis, and malaria epidemics. Washington: The Global Fight; 2019.

<sup>11</sup> Wexler A, Kates J, Lief E. Donor government funding for HIV in low- and middle-income countries in 2021. Global Health Policy. San Francisco: Kaiser Family Foundation (KFF); 2022. Available from: <https://www.kff.org/report-section/donor-government-funding-for-hiv-in-low-and-middle-income-countries-in-2021-report/>

<sup>12</sup> Durosinmi-Etti O, Nwala EK, Oki F, Ikpeazu A, Godwin E, Umoh P, et al. Willingness to pay for HIV prevention commodities among key population groups in Nigeria. Glob Health Sci Pract. 2022;10(5):1-13. Available from: <https://www.ghspjournal.org/content/10/5/e2100303>.

<sup>13</sup> Lagarde M, Palmer N. The impact of user fees on health service utilization in low- and middle-income countries: how strong is the evidence? Bull World Health Organ. 2008;86(11):839-48. doi:10.2471/blt.07.049197.

## Why diversify funding?

A diversity of funding sources reduces risks to an organization's operations and is one of the most effective ways to improve their own sustainability.<sup>14</sup> In cases where one funding source falls through, other sources help ensure continued services. Diversifying funding can also support pursuit of new technical or organizational goals, such as when a CSO plans to pivot into new areas of work. However, it can take time and substantial effort to achieve a healthy mix of funding sources.

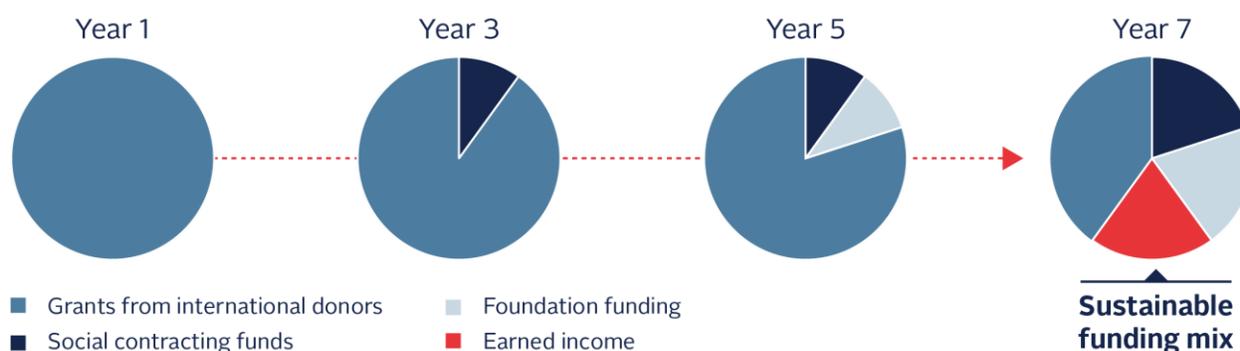
Operationally, a few different strategies may be used to diversify funding sources. One strategy would be to approach multiple funding agencies. For example, working with two to three different foundations for funding social marketing programs as opposed to a single foundation. A second strategy would be to target different types of funders. For example, expanding beyond foundations to corporate donors or crowdfunding. A third would be to explore funding from different sectors. For example, access funding from education sector sources for a program on health-related education. While using these strategies to seek new funding sources, CSOs should also identify sources of unrestricted funding. Unrestricted funding is important to organizational innovation, flexibility, and sustainability.<sup>15</sup> Additionally, unrestricted funding allows decision-making by organizational leadership, truly fostering locally driven solutions and responsiveness to communities.



### Box 2: Diversity of funding sources

CSOs receiving funding from multiple, varied sources rather than relying on a single source have a diversity of funding. This could include funding from government grants, private foundations, individual donors, corporate donors, and others. This diversity helps ensure a CSO is not dependent on any single source.

Figure 1. Diversified funding over time



<sup>14</sup> Renoir M, Guttentag M. Facilitating financial sustainability: understanding the drivers of CSO financial sustainability. Washington: LINC; 2018. Available from: [https://linclocal.org/wp-content/uploads/2020/04/CSOReport\\_Final.pdf](https://linclocal.org/wp-content/uploads/2020/04/CSOReport_Final.pdf).

<sup>15</sup> Koob A, Ingulfsen I, Tolson B. Facilitating financial sustainability: funder approaches to facilitating CSO financial sustainability. Washington: LINC; 2018. Available from: [https://linclocal.org/wp-content/uploads/2020/04/FunderReport\\_Final.pdf](https://linclocal.org/wp-content/uploads/2020/04/FunderReport_Final.pdf).



### Box 3. Example in practice: LoveYourself builds a diversified model

LoveYourself, a key-population-led CSO in the Philippines, was started in 2011 by a group of friends who wanted to establish a wellness center for lesbian, gay, bisexual, transgender (LGBT) youth. Initially, the founder financed the organization's operations, and team members had to raise funds to support each activity or event.

As the organization grew, funding sources were expanded through building partnerships. Through a partnership with the Department of Health's Research Institute, LoveYourself volunteers received training to become HIV counselors at no cost. LoveYourself also partnered with the government, taking over operations of a Department of Health (DOH) satellite clinic that was not attracting many clients. The organization rebranded the clinic as a community center run by key-population-friendly volunteers and trained counselors. Through their partnership with the government, LoveYourself was connected to and began working with corporate foundations.

Through these partnerships, LoveYourself was able to expand the types of services they could provide, and they adopted a "one-stop" HIV service model, diagnosing the third highest number of HIV cases nationwide. These accomplishments caught the attention of international donors, and the organization began working with the Global Fund and USAID.

In 2018, LoveYourself was accredited to receive social health insurance reimbursements, first as a tuberculosis (TB) primary care facility, then HIV primary care facility, and finally for laboratory services in 2020. During this time, loans from high-net-worth individuals were required to provide working capital as they waited for reimbursement.

Over more than a decade of work, strategy, and relationship building, LoveYourself has created a diversified funding model that is a foundation for sustainable service delivery.

Figure 2. Timeline for LoveYourself to diversify funding



### How can this primer help?

The financial sustainability of CSOs delivering services to key and vulnerable populations is integral to achieving and maintaining epidemic control globally. With the changing international donor landscape, CSOs need to examine their funding and plan for the future. This resource can be used to support local organizations to better understand the range of options available and how their current organizational systems align to different funding models. This guide introduces alternative funding models and

provides business planning and priority-setting strategies to adapt to changing financial and business landscapes.

## Where to start when thinking of diversifying funding?

Before embarking on a journey to diversify funding, a CSO should have a strong understanding of its current funding, its future needs based on the end dates for current funding streams and strategic vision for growth, and a sense of the minimum amount of funding needed to continue activities and services. With this understanding, a CSO should consider the six questions outlined below to inform its goals. Answering these questions is best done collectively, with key leaders reflecting on the organization's growth.

### What do the CSO's clients need?



Think about the clients in the community and their current needs. How have those needs changed over time? What services will need a few years from now? Are the CSO's current services and programs adequately addressing the client needs and demands? What changes are needed to make service delivery and the program model serve the client needs and demands in the future?

### What is the funding landscape in country?



Understanding the breadth and depth of donors in country is important when assessing what options are available. The CSO should look at the organization's current funding mix (types of donors and amounts of funding) and the overall funding landscape. Consider local, national, and international sources investing in similar CSOs, topics, and regions. Check in with any associations of CSOs or consultants who work in business development and use Google to explore if another organization may have already compiled this type of information. Also, consider the laws in country. Are there certain activities the organization can or cannot pursue based on the type of registration in country? Are there threats to the organization's current funding? After reviewing the models for other types of funding in this primer, reach out to organizations instituting these models to learn from them.



**Pro tip:** Make sure to compile basic information such as name, website, types of funding available, model of funding for each option in a usable format.

Note that the funding landscape is not static! It changes over time and with new and emerging priorities and can be influenced by civil society actors. Consider speaking with funders about the type of funding mechanisms the CSO would like to be able to access.

### What is the organizational funding cycle?



Analyze the amount of funding the organization receives, the points in time when it is received, and the ways in which it is utilized. This may correspond with budgeting or proposal cycles for major donors or align with major donation campaigns the organization establishes. Are there key times of the year when there are gaps in funding? Are staff overstretched with responsibilities related to current funding?

**What is the CSO's organizational vision?**



Reflect on the vision or organizational strategy for the future of the CSO including key strategic areas for expansion, core areas to maintain the business, and new innovations to explore. Are there new strategies the organization is planning to offer in coming years? Are there geographic regions where the organization would like to start to deliver services? What is the strategic vision for growth of the organization in the short and medium term?

**What resources does the CSO have to devote to these efforts?**



Consider the resources the CSO has available to support this work. Any type of resource mobilization requires initiative from the organization's leadership, staff time, and dedicated skills in marketing, finance, management, communications, relationship-building, and technical areas. Depending on the funding sources pursued, even more specialized skills may be needed. How much staff time and effort can the organization commit to develop and implement a funding diversification strategy? Can the organization commit resources to train staff or hire new staff, so they have the skills to help the organization pursue different funding models?

Also consider financial resources available to the organization to support business development efforts such as travel to meet with new funders, time to develop concepts and pitches, and working capital that can fund services while waiting for payments or reimbursements. Finally, consider nonfinancial resources, such as land, building, access to certain operating materials, that are a key part of existing assets. When thinking about the CSO's vision for future growth and impact, what additional resources are needed to bridge the gap between the present and that future vision?

**What level of autonomy would the CSO like to have over how funding is spent?**



Consider the amount of control the organization has over decision-making regarding its program and service design and delivery. Often donor funding comes with specific restrictions, responsibilities, or limitations on how the funding can be spent. Funding may also be constrained to implement key activities rather than allowing the organization to make decisions as to how costs can be allocated to achieve a goal. What level of autonomy does the organization need to have?

After answering these questions, the organization's ambitions for future funding and current resources to support growth goals should be clear. The remainder of the primer will introduce various models of financing and their features. The primer will help guide the organization in using its responses to the six questions to help make decisions about which models for financing may be a good organizational fit.

## Categorizing funding types

Funding models may be categorized in various ways. One way is to look at the mechanisms used to disperse funds, such as donations, grants, contract, or earned income, and the entities providing these funds such as foundations, a corporation or business, or government (Figure 3).

**Figure 3. Funding models categorized by funding source and funding mechanism**

Funding source \ Funding mechanism	Donation	Grant	Contract	Results-based finance	Investment (equity)	Investment (debt)	Earned income
Individuals	Individual gift				Angel investment		Revenue from sale of product or service
Group of individuals	Crowdfunding				Crowd equity	Crowd lending	Bulk purchases
Foundation		Grant	Results-based contract		Impact investment (equity)	Impact investment (loan)	Fee-for-service
Other CSOs and INGOs		Sub-award					Fee-for-service
Corporations and businesses	Corporate giving	Corporate social responsibility	Results-based contract		Equity investment	Debt investment	Fee-for-service
Investor				Impact bond	Impact investment (equity)	Impact investment (loan)	
Government		Social contract					Fee-for-service
Multilateral funders		Grant					

When developing a funding diversification strategy, two ways may be used to leverage current expertise and relationships to diversify the funding pipeline:

**1. Deepen expertise in a particular funding mechanism and diversify by tapping into different sources.**

*For example, a CSO is a grantee with an international nongovernmental organization (NGO). They have experience identifying grants, grant writing, and grant reporting. The CSO could further develop those skills and identify additional sources, such as corporations and foundations, from which it seeks and receives grants.*

**2. Build on a strong relationship with a specific funder and diversify the funding mechanisms through which funding is received from them.**

*For example, a CSO decides to build a social enterprise. It has a very strong relationship with a particular foundation through its grant-related work and convinces the foundation to partner exploring impact investment as a funding mechanism for the social enterprise.*

## An overview of funding models

The remainder of this document introduces and provides details on 10 funding models. The descriptions will help CSO staff align their responses from the “where to start” section to various models and will introduce potential next steps. These models highlight a mix of both the funding sources and mechanisms outlined in Figure 3. The funding models include:

- Social enterprise and earned income
- Equity investment (impact investment)
- Loans and bonds (impact investment)
- Impact bonds (impact investment)
- Social contract (including social health insurance reimbursement scheme)
- Individual donations
- Crowdfunding
- Corporate funding
- Foundation funding
- Direct USAID funding

The descriptions of each of the models is accompanied by a diagram and text explanation. **Diagrams** depict the transactions of resources and services that occur in every funding model between the different actors (i.e., CSO, funding source, and community/clients). **Text explanations** include:

- Brief description of funding model
- Business model adaptations a CSO might make to use that funding model; in some cases, adaptations are replaced by organizational considerations
- Short examples in practice
- Key questions to guide a CSO on the first step of applying the funding model to its context

For every model, consider the following factors, as well as the responses to the “where to start” questions, to understand whether the model is a good fit for the organization’s context.



**The right team** - The team and its capacity and expertise. To successfully implement these models, a different cadre of staffing or skills may be needed. Consider what kind of expertise is needed and the skills and availability of staff within the existing team.



**Supportive policy and regulatory environment** - The policies, rules, and laws in place, as well as the political environment within the country or region. Is the regulatory and political environment right to pursue this type of funding? Are there restrictions related to the type of funding models that can be pursued in the current setting? Are there other types of registrations or legal requirements to be fulfilled for a particular model?



**Abundant market demand** - The community or customer demand for products or services. Is there demand in the market for the services? For earned income opportunities, are clients willing to pay for the service or product? If there is a market available, how much has the market been saturated by others already providing such a product or service?



**Accessible funding supply** - The availability of funding. Is the funding source for the model available in the region/country? Are donors and investors looking to donate and invest their money in the priority area of a CSO? Is the organization able to address any barriers to accessing the funding?



**Strong social capital** - The network of supporters and stakeholders. Does the CSO have the right network of supporters, experts, and stakeholders to pursue this model? Does the CSO have the reputation or previous experience to give confidence that it will succeed?



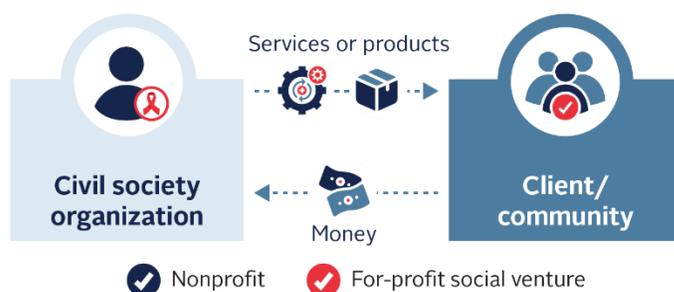
**Sufficient infrastructure and capacity** - Technology, assets, and expertise to design and provide services and programs. Does the CSO have the infrastructure, such as hardware, software, or physical structures, needed to pursue this funding strategy and deliver the programs accordingly? Will development of the required infrastructure be possible with current resources?

## Social enterprise

Social enterprise is revenue generated from the sale of products, services, or any other work performed.<sup>16</sup> This includes selling a product or a service for a fee, running a nonhealth business to create profits that are used to provide a service at no cost to clients, or providing training and consulting services at a fee to other organizations such as CSOs, businesses, and community groups.

A CSO can remain a nonprofit and use this revenue-based model. Although, if revenue becomes enough to sustain the organization, the CSO could transition into a for-profit, impact-focused business. Alternatively, a CSO can launch a separate for-profit subsidiary or affiliated organization that is solely focused on revenue generation to support the CSO mission.

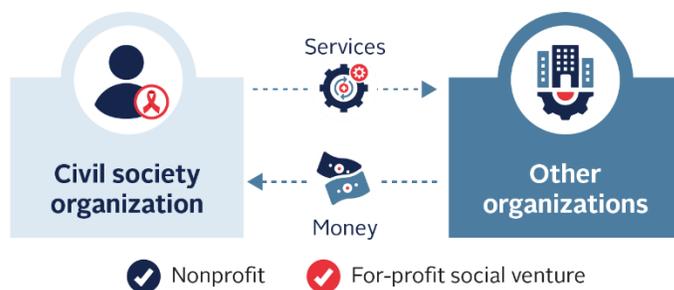
Type 1: Provide a product or a service for fee to clients/community members



Type 2: Nonhealth business sells products/services to generate profit to fund health services for clients



Type 3: Providing a service to other organizations for a fee



<sup>16</sup> Candid Learning [Internet]. Knowledge Base: What is earned income and how do I learn more about it? 2023 [cited 2023 Jan 18]. Available from: <https://learning.candid.org/resources/knowledge-base/earned-income/>.

### Example in practice:

▶ *Nonhealth business generates profits to support the CSO mission:* Population and Community Development Association in Thailand operates the popular restaurant Cabbages and Condoms. All the profits support the association and its programs in primary health and HIV prevention among other areas.<sup>17</sup> Over the years, Cabbages and Condoms has expanded into resorts and inns and has established restaurants in Japan and England.

▶ *Providing a service to other organizations for a fee:* CAREMAT, a key-population-led organization in Thailand, recently established a social enterprise with support from USAID EpiC Thailand. CAREMAT staff developed a web-based data app that supports improved client case management and quality improvement across the health services workflow. CAREMAT formed Accelerate Community Technology Limited (ACTSE), a private social enterprise, to market the app to hospitals, clinics, and other potential client organizations.<sup>18</sup>

▶ *Selling a product/service for a fee/cost:* Blue Sky Social Enterprise (BSSE) grew out of a small community-based organization (CBO) founded in 2008 with a focus on communications on HIV prevention in Ho Chi Minh City, Vietnam. In 2017, BSSE was established with a vision of becoming a leading organization in provision of HIV services. The same year, BSSE established the Nha Minh Clinic, which provides fee-based services, including HIV and STI screening and treatment, counseling, and home care for HIV patients. Profits from the clinic operation have enabled BSSE to set up “Helping Hands” funds that aim to reach the wider community, including emergency support during epidemics.

▶ *Selling a product/service for a fee/cost:* With financial and technical support from international projects between 2011 and 2015, Glink transformed from a four-member self-help group in Vietnam into a social enterprise chain of health clinics. The clinics provide a suite of testing and treatment services for a fee to support men who have sex with men (MSM) and transgender women. In 2021, Glink Foundation was established to invest in and fund business projects owned by MSM and transgender women. In early 2022, Glink Academy was launched as a training and capacity building center for community leaders who want to learn about social enterprises and community clinics.

### This model is especially good for:

A CSO with a service and/or product that community members or other organizations would be willing to pay for.

### Key factors to consider:



#### Supportive policy and regulatory environment

Ability to identify and/or develop a product/service that can be legally sold with minimal or reasonable change to organizational registration or legal structures

<sup>17</sup> Cabbages and Condoms.net [Internet]. Bangkok: Population and Community Development Association. 2023 [cited 2023 Jan 18]. Available from: <http://www.cabbagesandcondoms.net/>.

<sup>18</sup> EpiC blog [Internet]. Social enterprise: using market-driven approaches to meet the needs of key populations. Durham (NC): FHI 360; 2021 Nov 8 [cited 2023 Jan 18]. Available from: <https://epicproject.blog/social-enterprise-using-market-driven-approaches-to-meet-the-needs-of-key-populations>.



### **Abundant market demand**

Sufficient demand in the market and ability of consumer to pay for product or service at a price point that allows the organization to make a profit



### **The right team**

Team with the knowledge and skills to market a product/service and manage the revenue generation operations

## **Where to begin:**

Is there a service/product the CSO can offer that a market is willing to pay for?

## **Additional resources:**

- *EpiC Webinar “Social enterprise: Using market-driven approaches to meet the needs of key populations”* – covers social enterprise examples with business models and challenges associated with developing HIV-focused social enterprises. <https://epicproject.blog/social-enterprise-using-market-driven-approaches-to-meet-the-needs-of-key-populations/>
- *Social Entrepreneurship Guidebook for CSOs* – explains different social enterprise business models and initial planning steps to establish a social enterprise. [https://ecohub.am/wp-content/uploads/2020/07/Final\\_Social-Entrepreneurship-Guidebook-for-CSOs.pdf](https://ecohub.am/wp-content/uploads/2020/07/Final_Social-Entrepreneurship-Guidebook-for-CSOs.pdf)
- *Developing a Social Enterprise Business Model* – details the main features of a social enterprise business model and how to think about product/service delivery and pricing. [https://socialinvestmenttoolkit.com/wp-content/uploads/2019/03/SIT\\_Module-3.pdf](https://socialinvestmenttoolkit.com/wp-content/uploads/2019/03/SIT_Module-3.pdf)

## Equity investment (impact investment)

Equity investment is a form of impact investment.<sup>19</sup> An investor can make a monetary investment in return for equity (a percentage ownership of the company) in a business. The investor expects to receive a return on their investment within a few years by selling their stake in the business at a higher valuation and/or through receiving dividends from the business. To receive this type of impact investment, a CSO or its subsidiary/affiliated organization needs to be structured as a for-profit. A CSO would also have to develop systems to track and report certain impact metrics required by impact investors.



### Example in practice:

Access Afya is an enterprise in Kenya that delivers high-quality, localized health care, designed specifically to serve the needs of low-income markets around the world. In 2019, Access Afya received an investment from FHI Ventures (an impact investment subsidiary of FHI 360) because of its ability to deliver more reliable, higher quality care than private dispensaries and clinics or government-run health centers, giving it the potential to expand high-quality health care to underserved populations. The early-stage business model has proven that patients will pay for its services.<sup>20</sup>

### This model is especially good for:

A CSO with an existing revenue-generating service/product with potential for scaling OR that has a strong business plan for a marketable service/product.

### Key factors to consider:



#### The right team

Ability to identify and/or develop a product/service that can be legally sold with minimal or reasonable change to organizational registration or legal structures



#### Abundant market demand

A market opportunity for a scalable business

<sup>19</sup> Impact investment is a direct monetary investment made by an investor in an organization with the intention to generate positive, measurable social and environmental impact alongside a financial return. Source: Global Impact Investing Network.

<sup>20</sup> FHI 360. Bold ideas for a better future: helping entrepreneurs transform their ideas into social impact (FHI Ventures 2018–19 impact report). Durham (NC): FHI 360; 2019. Available from: [http://www.fhiventures.com/wp-content/uploads/2020/01/FHIVentures\\_ImpactReport\\_External-1.pdf](http://www.fhiventures.com/wp-content/uploads/2020/01/FHIVentures_ImpactReport_External-1.pdf).



## Strong social capital

Connections and networks with individual investors and investment funds

### Where to begin:

- Is there a service/product a CSO can offer that a market is willing to pay for?
- What is the landscape of investors who would be interested in investing in health care and HIV response?

### Additional resources:

- *Social Investment Manual* – explains the entire financing process (due diligence, working with investors, etc.) for different funding models across the social investment spectrum. [https://www3.weforum.org/docs/WEF\\_Social\\_Investment\\_Manual\\_Final.pdf](https://www3.weforum.org/docs/WEF_Social_Investment_Manual_Final.pdf)
- *A Short Guide to Impact Investing* – provides a brief summary of impact investing and a series of short examples. <https://casefoundation.org/wp-content/uploads/2014/09/Short-Guide-Oct2015-Digital-FINAL.pdf>
- *A Guide on Monitoring and Evaluation for Impact Investing* – an internet post that introduces key characteristics for impact investing and outlines steps to consider when developing a monitoring and evaluation framework. <https://www.betterevaluation.org/en/themes/monitoring-and-evaluation-impact-investing>

## Loans and traditional bonds (impact investment)

Impact investment can also be leveraged by raising funds through debt mechanisms such as *loans*, i.e., borrowing money from bank or microfinance institutions. The principal amount of the loan has to be returned over the course of time alongside additional interest. Loans can also be raised from microfinance institutions (organizations that provide small loans) or via crowdlending platforms such as Kiva through which a group of small lenders comes together to combine their capital and provide loans. Loans and bonds can be used to raise funds for capital projects (buying a building, land, or expensive equipment) or for operational expenses. The lenders generally like organizations to have a strong track record of repayment of past debt and/or tangible collateral.

Type 1: Receiving a loan from a bank or another loan-providing institution



Type 2: Issuing a bond in exchange for funds from an investor



### Example in practice:

Fundación para el desarrollo integral ESPOIR, an organization based in Quito, Ecuador, is focused on economic and social development of women entrepreneurs. The organization received a debt investment of CAD \$1.5 million from Desjardin International Development and is using that investment

to provide more credit products and health and financial literacy services to nearly 550,000 clients, 68 percent of whom are women.<sup>21</sup>

### This model is especially good for:

A CSO with strong revenue projections in the foreseeable future and able to show ability to make the regular loan and bond-related payments through its financial track record and/or existing assets and collateral.

### Key factors to consider:



#### Supportive policy and regulatory environment

The law allows for nonprofits/CSOs to receive loans or issue bonds



#### Accessible funding supply

Investors/funders are willing to give loans to or buy bonds from CSOs

### Where to begin:

- Which bank and lending institutions provide loans to CSOs/nonprofits?
- Are CSOs/nonprofits able to issue bonds in the country?

### Additional resources:

- *Community Bonds* – an innovative finance mechanism that can be used by nonprofit organizations to raise capital. <https://tapestrycapital.ca/community-bonds/>
- *Loans* – a resource on sound financial management, including building a budget, projecting cash flow, and crafting the organization’s financial story. <https://nff.org/learn/fundamentals-nonprofits>

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<sup>21</sup> Desjardins International Development Projects [Internet]. "Ecuador: Debt Investment to help increase access to credit and financial literacy and health services for women entrepreneurs." Click on "DID projects in the Americas" and scroll to the title (sixth in the list). Quebec: Federation des caisses Desjardins du Quebec. 2023 [cited 2023 Jan 18]. Available from: <https://www.desjardins.com/qc/en/about-us/community/international-development/projects.html>.

## Impact bonds

An impact bond brings together an investor, funder, and service provider to achieve clearly defined outcomes. The investor fronts capital to a service provider, generally a CSO. Since the payment of money to the investor is directly tied to the achievement of agreed-upon outcomes, the CSO is expected to have a rigorous impact measurement and data reporting process. Once the service provider achieves the agreed-upon outcomes—verified by an external evaluation agency—the funder pays back the capital amount to the investor in addition to a return on investment.



### Example in practice:

Zero HIV Social Impact Bond (SIB) was launched in the U.K. and funded by the Elton John Aids Foundation (EJAF).<sup>22</sup> SIB estimates 10–15 percent of people living with HIV in the U.K. are not on treatment. It addresses this problem by using the mechanism of an outcomes-based contract in which providers are paid on outcomes achieved—rather than on providing services<sup>23</sup>—to drive detection of HIV among these high-risk groups in areas where prevalence is highest.

### This model is especially good for:

A CSO with an intervention that is backed by strong research and evidence regarding the intervention’s success in achievement of outcomes.

<sup>22</sup> Stanworth N. Zero HIV Social Impact Bond: commissioning better outcomes fund evaluation in depth review. England: n.d. Available from: [https://www.tnlcommunityfund.org.uk/media/insights/documents/EJAF-Zero-HIV-in-depth-review\\_FINAL.pdf](https://www.tnlcommunityfund.org.uk/media/insights/documents/EJAF-Zero-HIV-in-depth-review_FINAL.pdf).

<sup>23</sup> Dyer A. HIV Commission [Internet]. “The Zero HIV Social Impact Bond.” 2020 Dec 18 [cited 2023 Jan 18]. Available from: <https://www.hivcommission.org.uk/2020/12/18/the-zero-hiv-social-impact-bond/>.

## Key factors to consider:



### Accessible funding supply

Investors/funders are willing to provide funding for an impact bond mechanism



### Sufficient infrastructure and capacity

CSO already has the key infrastructure in place to provide services and the capacity to measure and report data rigorously

## Where to begin:

- Is there strong evidence and data to prove the high effectiveness of the CSO's intervention approach and outcomes?

## Additional resources:

- *A Technical Guide to Developing Social Impact Bonds* – developed by Social Finance, the guide provides the steps for designing an impact bond and lays out an impact bond feasibility assessment process. <https://missioninvestors.org/resources/technical-guide-developing-social-impact-bonds>
- *Zero HIV Social Impact Bond Review Report* – focuses on stakeholder experiences and learning from the design and development of the social impact bond. [https://www.tnlcommunityfund.org.uk/media/insights/documents/EJAF-Zero-HIV-in-depth-review\\_FINAL.pdf](https://www.tnlcommunityfund.org.uk/media/insights/documents/EJAF-Zero-HIV-in-depth-review_FINAL.pdf)
- *Multi-Stakeholder Initiatives: A Strategic Guide for Civil Society Organizations* – provides a comprehensive overview of partnerships involving multiple stakeholders and various considerations for CSOs to determine which partners and what type of multi-stakeholder relationships will work best for any particular initiative. <https://www.somo.nl/wp-content/uploads/2012/03/Multi-stakeholder-initiatives.pdf>

## Social contract

In the social contract model a government funds CSOs to provide social services that the government is generally responsible for. These services may include direct health care, public sector health care worker training, supply chain related, and health care information systems. A social contract includes a legally binding agreement that stipulates the type and amount of health care services a CSO would need to provide and how the government will pay for the costs of providing those services.<sup>24</sup> Social contracting allows a CSO to tap into different government agencies/departments and access funding tied to payment for services through competitive procurement, in addition to grants.

Financing through social contracting can happen in at least three different ways:

► **Results-based financing:** The government pays money once the agreed-upon results of the service provision have been achieved.<sup>25</sup>

Type 1: Results-based contract where government pays the CSO once the outcomes have been achieved



► **Procurement and contracting:** The government makes payments at certain times based on a contract outlining the level of service provision and timeline. Reimbursements from insurance schemes for services provided may also fall under this type.

Type 2: Procurement contract to deliver social services with payments at specific times throughout the contract



► **Grants:** The government provides funds to a CSO to deliver services and report back to the funder on activities undertaken.

<sup>24</sup> United Nations Development Programme (UNDP). Guidance note for the analysis of NGO social contracting mechanisms: the experience of Europe and Central Asia. New York: UNDP; 2019.

<sup>25</sup> The World Bank [Internet]. Results-based financing (RBF) and results in education (REACH). 2023 [cited 2023 Jan 18]. Available from: <https://www.worldbank.org/en/programs/reach>.

### Type 3: Government grants to deliver services



Additionally, social contracting may occur at the national and subnational levels, depending on how authority for contracting has been decentralized within the country.

#### Example in practice:

Investments by the National Health Security Office (NHSO)—the health funding arm of the Thai government—more than doubled to support recruit-to-test interventions from 2016 to 2020. Key-population-led organizations were reimbursed for testing 40,000 clients in 2020, substantially contributing to national HIV testing targets. These organizations are increasingly supported by domestic financing, with NHSO funding providing almost half their operation budgets on average in 2021.

#### This model is especially good for:

CSOs that have a strong service-delivery infrastructure and reach populations that national health systems have a hard time reaching.

#### Key factors to consider:



##### Supportive policy and regulatory environment

- Policies allow for government agencies to design contracts with CSOs for delivery of health care services
- An enabling environment where community members do not hesitate to receive health care services from CSOs
- Clear funding parameters and process to access funding provided by the government
- Clear accreditation standards (where required) for CSOs to be certified to provide the necessary services



##### Sufficient infrastructure and capacity

- The CSO has key infrastructure in place to provide the services
- For results-based contracts, the CSO already has enough capital to provide services to receive contract payment from government at a later time

#### Where to begin:

- Are there any government agencies or mechanisms that provide funding to CSOs to provide essential health care or related services?
- Are there discussions between government agencies and community partners on the needs to establish a mechanism for government funding for CSOs?

#### Additional resources:

- *Guidance Note on Social Contracting from UNDP* – provides help developing factsheets and recommended actions for setting up or improving NGO social contracting mechanisms.  
<https://www.undp.org/eurasia/publications/guidance-ngo-social-contracting-mechanisms>
- *Report on Effective Social Contracting for HIV Service Delivery* – based on lessons from Thailand.  
<https://www.aidsdatahub.org/resource/report-effective-social-contracting-hiv-service-delivery-thailand>
- *Social Contracting Capacity Building Needs Assessment (SCANA) Tool* – a self-assessment tool developed for community-based organizations and social enterprises in Vietnam to gauge their readiness and capacity for social contracting.  
<https://www.fhi360.org/sites/default/files/media/documents/resource-epic-vietnam-ladders-scana-tool.pdf>
- *Government Readiness Checklist* – a tool to assist provincial government health authorities in Vietnam to assess if they are ready to implement social contracting and identifying gaps.  
<https://www.fhi360.org/sites/default/files/media/documents/resource-epic-vietnam-social-contracting-monitoring-evaluation-framework.pdf>
- *Social Contracting Monitoring and Evaluation Framework* – a tracking tool to measure the functional development and implementation of social contracting in Vietnam and monitoring social contracting’s contribution to epidemic control.  
<https://www.fhi360.org/sites/default/files/media/documents/resource-epic-vietnam-social-contracting-government-checklist.pdf>

### Individual donations

The individual donations model leverages funding from individual donors (community-at-large) as opposed to institutional donors (such as international NGOs, foundations, etc.). This model is diverse and can include strategies such as engaging individual donors annually, a specific fundraising campaign or event, or engaging high-net-worth individuals.

A CSO can raise donations from individuals while having a status as a not-for-profit organization. In some countries the CSO might have to be registered with the government under a special status, such as charity or a similar structure, to allow it to accept individual donations. Such status would allow the CSO to process donations in a way that allows donors to claim tax deductions.

Type 1: Donations from many small donors



Type 2: Donations from few large donors



*\*For-profit social ventures can receive donations but donors do not receive any tax benefits*

### Example in practice:

Founded in South Africa in 2001, m2m provides health care to families who need it most, delivered by women who know them best. They have created nearly 12,000 jobs for women living with HIV as frontline health workers and reached more than 15 million people in sub-Saharan Africa with life-changing health services. m2m currently reaches around 1.6 million people a year and aims to reach 3 million annually by 2026. To achieve that goal, they need to grow their funding. While PEPFAR remains an incredibly important partner for m2m, to ensure predictable multiyear funding, the organization has focused on diversifying their sources. Their current mix is roughly 60 percent institutional donors, 25 percent trusts and foundations, 10 percent corporations, and 5 percent individuals. Although individual donors make up the smallest proportion, this funding stream is essential. It allows m2m to gauge the public’s awareness and buy-in of their mission and programs, as well as promotes deeper community involvement and support. This funding also allows flexibility in spending, as it is usually unrestricted. m2m may allocate these finds to overhead costs required to operate, such as hiring staff, purchasing

equipment, and participating in trainings. The funds can also be used as surge support for country programs during emergencies.

### This model is especially good for:

A CSO with a wide reach and network of supporters.

### Key factors to consider:



#### Sufficient infrastructure and capacity

- Comprehensive marketing strategy and plan
- Capacity to receive, process, and track individual donations (for example, having a website with a payment system, being able to process tax receipts, etc.)



#### Strong social capital

Presence in media and marketing realm such as social media, website, and advertising



#### The right team

A team with strong skills in writing, marketing, and relationship building

### Where to begin:

- What type of donors does the CSO want to engage? What do the donors care about?
- What are successful marketing and outreach tactics to engage those donors?

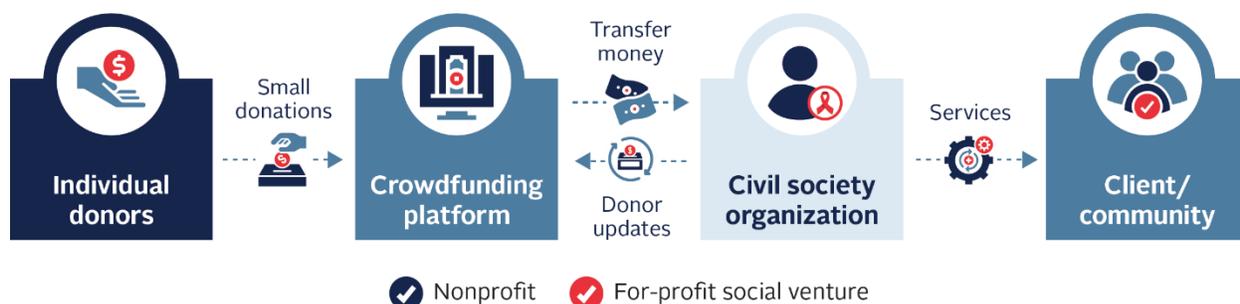
### Additional resources:

- *Capacity Building Series: Fundraising and Marketing for CSOs, A Resource Guide for Civil Society Organisations in Botswana* – provides guidance on designing a fundraising strategy and a complementary marketing plan.  
[https://www.fhi360.org/sites/default/files/media/documents/Fundraising\\_and\\_Marketing\\_for\\_CS\\_Os.pdf](https://www.fhi360.org/sites/default/files/media/documents/Fundraising_and_Marketing_for_CS_Os.pdf)
- *10 Principles of Good Practice for the Intelligent Funder* – lays out 10 principles that donors and CSOs should collectively align with in order to build sustainable funding partnerships.  
[https://civicus.org/view/media/10\\_Principles\\_of\\_Good\\_Practice\\_for\\_the\\_Intelligent\\_Funder.pdf](https://civicus.org/view/media/10_Principles_of_Good_Practice_for_the_Intelligent_Funder.pdf)

## Crowdfunding

Crowdfunding is raising funds for a specific project or cause online from many donors donating small amounts in a specific time period. This can be done by reaching donors directly through one central campaign or through enlisting individuals to create personal fundraisers that feed donations back to an organization's cause. CSOs generally manage crowdfunding campaigns through an online platform that receives and processes the donations.<sup>26</sup>

Crowdfunding can be used for a wide range of purposes, from helping individuals to projects focused on an entire community. Campaigns can be hosted by community groups or CSOs, regardless of for-profit or nonprofit status, although rules can vary from platform to platform and country to country. A best practice of crowdfunding campaigns is to provide regular updates to donors for up to six to 12 months after the campaign about how the funds are being used.



### Example in practice:

Indiegogo is an online crowdfunding platform where an individual or group can launch a campaign. Examples of HIV-related crowdfunding projects on Indiegogo can be found here: <https://www.shorturl.at/v0245>.

### This model is especially good for:

A CSO with a strong social media presence.

### Key factors to consider:



#### Supportive policy and regulatory environment

Crowdfunding platforms are legal in the country



#### Sufficient infrastructure and capacity

- The capacity to accept funds from international funders if using an international crowdfunding platform
- Ability and capacity to design specific projects for funding and launch fundraising campaigns

<sup>26</sup> Candid Learning [Internet]. Knowledge Base: What is crowdfunding? 2023 [cited 2023 Jan 18]. Available from: <https://learning.candid.org/resources/knowledge-base/what-is-crowdfunding/>.



### The right team

A team with experience and background in social media



### Strong social capital

A larger reach on social media (e.g., many followers or very active followers)

#### Where to begin:

- What crowdfunding platforms is a CSO able to use and receive funds from?
- Does the CSO have a compelling story that will convince individuals to donate?

#### Additional resources:

- *Crowdfunding Toolkit* – an interactive toolkit developed for CSOs on the advantages of and how to use crowdfunding. <https://crowdfunding.knowledgesouk.org/>
- *Strengthening Citizen Action: Communication for Civil Society Organizations, Guidebook* – provides information on the fundamentals of creating effective communication programs along with ideas and examples on how to create useful and relevant communication materials for the web and social media. <https://www.civicus.org/index.php/media-resources/resources/toolkits/3633-strengthening-citizen-action-communication-for-civil-society-organisations>
- *A Guide to Strengthening Civil Society through Social Media* – describes how CSOs can integrate and use social media to promote human rights and governance and strengthen mutual accountability among CSOs, government institutions, and citizens by creating real-time and direct interaction and organizing. <https://2012-2017.usaid.gov/sites/default/files/documents/1866/SMGuide4CSO.pdf>

## Corporate funding

Corporate funding is the donation of funds or resources by for-profit businesses to CSOs. Some businesses allot a portion of their profits to fund organizations working on causes and issues that align with the business' interests. In return, a business might expect the CSO to report back on how the funds were used and potentially collaborate on marketing materials related to the project. Corporate donations can range widely in amount and time period. They may be a one-time donation (cash, sponsorship, equipment or other physical resources) to long-term partnerships with support provided on an ongoing basis. Where possible, having charity status so the donor may claim a tax exemption for their donation helps a CSO attract corporate donors.

### Corporate partnerships can be categorized as:

- ▶ *Corporate giving* - Companies contribute funds or in-kind donations through employee-contribution matching programs, sponsorships, or direct contributions
- ▶ *Corporate social responsibility* - Companies taking actions, beyond what is required by law and the sole interest of the firm, to further social good
- ▶ *Shared value* - Companies focused on increasing their competitiveness while advancing the economic and social conditions in the communities in which they operate



### Example in practice:

Cheyutha Women CBO, meaning “helping hand” in Telugu, is a women-led community initiative ‘for’ and ‘by’ women living with HIV, which provides care and support services for women and children affected by HIV. Established in 2005, Cheyutha received funding from LEPR Society, an NGO in Hyderabad, to pay staff salaries until 2018. In 2019, Cheyutha needed a new source of funding and responded to a call for proposals from Azim Premji Philanthropic Initiative (APPI), as part of their corporate social responsibility efforts. APPI staff made a series of visits to Cheyutha, interacted with community members, and verified the systems at the organization level. In April 2020, Cheyutha was awarded a four-year grant of about US\$170,000 to support staff salaries through March 2024. APPI’s grant to Cheyutha ensures sufficient processes, human resources, materials, and systems are in place to enable the organization to achieve financial stability in generating funds and managing expenses, govern with strong policies, and execute all programs effectively and independently.

## This model is especially good for:

A CSO with strong messaging and a partnership team.

### Key factors to consider:



#### Sufficient infrastructure and capacity

- A clear ask and a strong partnership pitch, brochures, or presentation
- Charity status to process tax exemption receipts for donations



#### The right team

A team with strong skills in relationship building and a good understanding of the corporate donor landscape



#### Strong social capital

An extensive network with corporations and businesses or means to connect with them

## Where to begin:

- What type of businesses will be aligned with the mission of a CSO?
- What are successful marketing and outreach tactics in the region to engage corporations?

## Additional resources:

- *Guide to Pitching to Corporate Sponsors* – covers different types of corporate sponsorships and some best practices to consider when pitching to corporations. [https://enactus.ca/wp-content/uploads/2020/06/guide\\_pitching-corporate-sponsors-1.pdf](https://enactus.ca/wp-content/uploads/2020/06/guide_pitching-corporate-sponsors-1.pdf)
- *HIV/AIDS and Business in Africa and Asia: A Guide to Partnerships* – while geared toward businesses, this guide has great insights for CSOs on how to approach businesses and make the strategic case for their support. [https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/programs/cri/files/report\\_2\\_HIV\\_AIDS\\_AGuidetoPartnerships.pdf](https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/programs/cri/files/report_2_HIV_AIDS_AGuidetoPartnerships.pdf)
- *10 Principles of Good Practice for the Intelligent Funder* – lays out 10 principles that donors and CSOs should collectively align with in order to build sustainable funding partnerships. [https://civicus.org/view/media/10\\_Principles\\_of\\_Good\\_Practice\\_for\\_the\\_Intelligent\\_Funder.pdf](https://civicus.org/view/media/10_Principles_of_Good_Practice_for_the_Intelligent_Funder.pdf)
- *Tip Sheets: Responding to Funding Opportunities* – guidance on responding to funding opportunities, covers the process of preparing for, reviewing, and responding to funding opportunities released by donors. [https://www.advancingpartners.org/sites/default/files/sites/default/files/resources/apc\\_tip\\_sheet\\_funding.pdf](https://www.advancingpartners.org/sites/default/files/sites/default/files/resources/apc_tip_sheet_funding.pdf)

## Foundation funding

Foundations are nonprofit organizations set up as a vehicle to donate or invest private wealth in social causes. Foundations generally give grants to CSOs for a specific period to execute projects that achieve certain outcomes for the community. Foundations expect CSOs to report back to them on how the funds were used and share data on outcomes achieved. Depending on the foundation, the grant size could range from one-time, smaller amounts to larger multiyear commitments.

Foundations providing grant funding may be based in the same country as the CSO or in a different country (international foundations). They may also be involved in impact investing as an investor providing loans, equity investments, or other financing mechanisms.

Type 1: Grants from foundations



Type 2: Impact investment from foundations



### This model is especially good for:

A CSO with strong messaging and a partnerships team that can find alignment between the mission of the CSO and the foundation.

### Key factors to consider:



#### Sufficient infrastructure and capacity

- Proven expertise in the sector/field and high community reputation
- Strong data tracking and reporting processes



#### Supportive policy and regulatory environment

Presence of local foundations OR CSO has capacity to engage with international foundations, and has processes to accept and process funding from them

### Where to begin:

- What is the landscape of foundations in a country? Which of these foundations are aligned with the mission of a CSO?
- What are the requirements from the foundation to apply for funding?

### Additional resources:

- *Candid Learning website*: “How do I approach a foundation and build a successful grantee-funder relationship?” – provides suggestions for developing a relationship with a funder. <https://learning.candid.org/resources/knowledge-base/approaching-foundations/>
- *Better Evaluation website* – resource on evaluation and data measurement tools and best practices. <https://www.betterevaluation.org/>
- *Better Evaluation website: Monitoring and Evaluation for Impact Investing* – introduces key characteristics for impact investing and outlines steps to consider when developing a monitoring and evaluation framework. <https://www.betterevaluation.org/en/themes/monitoring-and-evaluation-impact-investing>

## Direct USAID funding

USAID is the U.S. Government’s international development funding agency. Traditionally, USAID provides funding to international NGOs that in turn partner with local CSOs and provide funding to them in the form of subawards. In recent years, USAID has increased direct funding to local CSOs to strengthen the sustainability of national HIV and AIDS responses. Recently, USAID set a goal of increasing its direct funding to local partners to 25 percent of USAID’s overall funding assistance.<sup>27</sup> As with other big funders, managing USAID funding involves a high level of stakeholder communication and engagement during the proposal process and project implementation. A CSO will be expected to provide substantive reporting of data on project output and outcomes in addition to financial reporting.



### Example in practice:

Pakachere Institute of Health and Development Communication is one of the leading organizations in Malawi providing social and behavior change communication and HIV services. In 2019, Pakachere began having discussions with USAID and FHI 360 regarding the possibility of receiving a direct award from USAID because of its strong performance as an implementing partner under the Linkages across the Continuum of HIV Services for Key Populations Affected by HIV (LINKAGES) project led by FHI 360.<sup>28</sup> It demonstrated an ability to achieve service delivery targets and had strong organizational systems. Pakachere went through the non-U.S. pre-award survey (NUPAS) with USAID and was assessed as having systems sufficiently strong enough to manage a direct award. Pakachere developed a draft proposal and received assistance from FHI 360 in the review and finalization process. The proposal to USAID proved successful, and Pakachere was awarded funding to implement the Local Endeavors for HIV/AIDS Prevention and Treatment (LEAP) project.

### This model is especially good for:

A CSO with strong organizational and financial systems with substantive reach in the community/region.

<sup>27</sup> USAID. Speeches [Internet]. Administrator Samantha Power on a new vision for global development. 2021 Nov 4. Available from: <https://www.usaid.gov/news-information/speeches/nov-4-2021-administrator-samantha-power-new-vision-global-development>.

<sup>28</sup> EpiC. The growth of Pakachere: local partner transitions to a USAID direct award with technical support from the LINKAGES and EpiC projects in Malawi. Durham (NC): FHI 360; 2021. Available from: <https://www.fhi360.org/sites/default/files/media/documents/resource-epic-malawi-success-story-jan-21.pdf>.

## Key factors to consider:



### Sufficient infrastructure and capacity

- Proven expertise in the sector/field and high community reputation
- Has organizational, technical, and strategic information capacity to effectively manage USAID funding as well as processes in place to report on outcomes
- Strong data tracking and reporting processes



### Supportive policy and regulatory environment

Political environment allows CSOs to accept funding from USAID

## Where to begin:

- Is USAID funding appropriate for the CSO given any restrictions or requirements that come with the funding?
- Does the organization have the rigorous financial and monitoring and evaluation (M&E) systems required to manage USAID funding?

## Additional resources:

- *Training series on how to work with USAID* – provides 12 modules on the step-by-step process CSOs need to undertake as well as the eligibility criteria to work directly with USAID. <https://www.usaid.gov/work-usaid/get-grant-or-contract/trainings-how-work-usaid>
- *Preparing for the Non-U.S. Organization Pre-Award Survey (NUPAS)* – covers the specific process and documentation required for the NUPAS survey. <https://www.usaid.gov/work-usaid/get-grant-or-contract/trainings-how-work-usaid/preparing-non-us-organization-nupas>
- *Implementation Tips for USAID Partners* – provides tips responding to specific, commonly asked questions about how to strengthen an organization's systems and processes and how to navigate USAID rules and regulations. [https://www.fhi360.org/sites/default/files/media/documents/Implementation\\_Tips.pdf](https://www.fhi360.org/sites/default/files/media/documents/Implementation_Tips.pdf)
- *Essential NGO Guide to Managing Your USAID Award* – helps CSOs more effectively administer resources from USAID; provides USAID awardees (also referred to as grantees or recipients) with details to clarify specific requirements, regulations, and compliance issues mandated by their agreements. <https://www.fhi360.org/resource/essential-ngo-guide-managing-your-usaid-award>

## Turning learning into strategy

It can be overwhelming to look at these options and consider which model(s) might be right for an organization. This primer can serve as a guide for creating a funding diversification strategy by following these three steps.



**Begin by thinking broadly.** Start with the questions in the “Where to start when thinking of diversifying funding?” section on page 8. The six categories in this section are excellent topics of discussion for staff meetings or can be used as an outline for a productive retreat or workshop agenda. Answering them will yield clearer thinking on an organization’s own unique pathway for diversifying funding.



**Find a funding model fit.** While going through the funding models in the primer, categorize all the models into three main buckets – (1) funding models that the CSO has experience with and expertise to pursue, (2) funding models that the CSO does not have experience with but are interested to learn more about and pursue, and (3) funding models that might not be a good fit for the organization’s context, vision, values, or the policy environment within which it operates.



**Develop a diversified funding plan.** Talk with trusted partners and share the initial funder landscaping and thought process behind funding diversification. Work with staff to develop a funding diversification plan and discuss how to align capacity strengthening efforts with that plan.