Fundraising Challenges

Almost every organization faces challenges in fundraising. You have to figure out who might be interested in your organization's work and how to reach them. You have to present your programs in a way that appeals to the donor you are targeting. And you have to build trust and maintain relationships with your donors. This work can be more difficult if your organization lacks a clear strategic plan or staff who can dedicate time to fundraising.

Brainstorming Exercise

Before introducing fundraising skills, conduct a brainstorming exercise with staff and volunteers who have participated in fundraising activities.

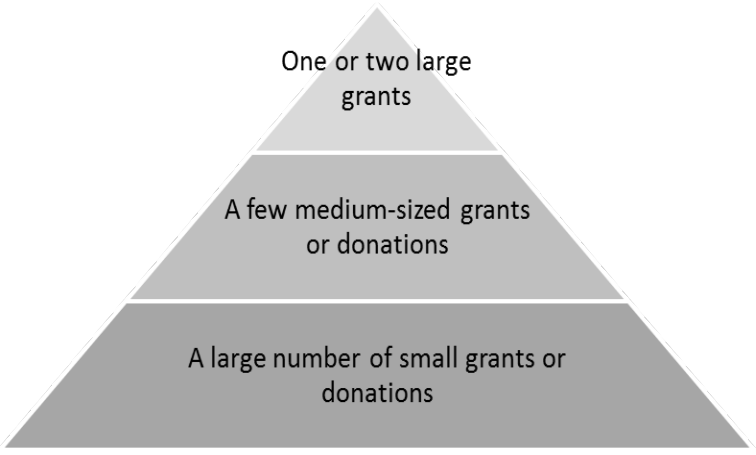
1. Hand out index cards to everybody and ask them to write down one or two challenges they have experienced in fundraising.
2. Gather the cards and tape them to the wall, putting similar cards in the same category.
3. Guide the participants to read the cards out loud. When someone read a card that is interesting, ask the person who wrote the card to share a story that relates to that challenge.
4. After reading all of the cards, summarize the challenges people have encountered in fundraising.

The majority of small NGOs face one common issue: they rely on just one donor. This creates instability in organizations because:

- Donor priorities shift constantly. Health rights could be a priority one year, but the next year it could be something else;
- The staff at donor organizations may move on to other jobs, so the program officer who loves your work could be replaced by a program officer with entirely different interests and priorities;
- Some organizations have limits on the number of years they can support one NGO;
- Foundations face their own financial challenges that impact their ability to provide funds or support certain kinds of programs.

It is important to develop a fundraising plan that enables you to diversify your organization's funding sources. The plan should be based on your annual budget (see **How to Create A Budget**) and it should include systematic and regular cultivation of multiple donors. This way, if you lose one donor, you can still count on the support of others. As a result, you will be more capable of surviving changes in the funding environment.

How many donors should you have? That depends on your organization's budget size, your ability to conduct various fundraising activities, and your capacity to manage grants (i.e. proposal writing and reporting). When it comes to diversifying your organization's sources of funding, you can think in terms of a pyramid：



How to Build Relationships with Donors

In order to develop relationships with donors, you should have a few key tools that you use regularly and systematically. Examples of such tools include: a newsletter that you send out by email or mail regularly; a special event or two each year at which you thank existing donors and cultivate new potential donors; a direct appeal letter or email that you send once or twice a year to ask for contributions from individuals; and a group of people(like a board of directors or a group of advisors) who can help you make connections and raise funds.

Remember also that **peers give to peers**. At some point, you will need to raise funds from people you do not know; they may work at a foundation or a corporation or maybe they are an individual donor. Before you approach them, you should figure out if you or someone in your network know someone who is a peer to that person. Then you can ask that peer to help you by making an introduction and building the relationship.

Your annual program timeline should include your fundraising activities, for example: deadlines for grant proposals and reports, deadlines to send out newsletters with updates about your work, the dates of special events for cultivation and thanking donors, and times when you meet up with people who are existing supporters to report back about your work. The timeline should remind you every few months to contact current or potential future donors (including those who have said no, but who might be interested in the future) and give them a call or meet to tell them your NGO's latest news. For instance, when you have a major accomplishment or piece of news, it is a good idea to contact your existing donors and supporters to update them and say, "This is an example of what we have been able to do, thanks to your support."

You can think of the relationships you have with people outside your organization as belonging to three concentric circles: “People who don’t know and don’t care,” “Friends,” and “Advocates.”

This is the “circle of intimacy.” The outer circle is people who do not know your organization and do not care about the issues—yet. The middle circle is people who know a bit about your organization and have some interest in the issues and may occasionally come to one of your events. The inner circle is the people who advocate for you with others: the passionate supporters.

Your systematic cultivation of prospective donors should aim to move people from the outer circle into the middle circle, and from the middle to the inner circle.

Develop Individual Donors

Cultivating individual donors can be done through one-on-one meetings where the director or staff update the individual on the work and keep him or her interested and engaged; a regular weekly or monthly newsletter with updates on your work; and annual parties, thank-you events, small private dinners, or other events where donors can connect with both program staff and the people who benefit from your work. For many donors, this personal feeling of connection with the work they are supporting is what inspires them not only to make donations, but also to encourage their friends to give as well. Again, "peers give to peers" is also important as sometimes you might want someone else to ask for donations from their peers, on your behalf. so you want to help the people who support you to turn into people who will ask others to support you.

Use of Social Media: With the increasing popularity of social media, many organizations have begun to focus on fundraising from the public and individuals via smart phone apps, social networks, etc.; organizations have also developed fundraising activities by generating news stories in the media. If you are considering such options, you need to make sure that you understand any legal consequences to your fundraising strategies; for instance in China, the <*Charity Law*> prohibits individuals and organizations without public fundraising qualifications to fundraise from the public. As a group, you also need to determine what you are best able to do or what is practical for your organization, and then decide what makes sense for fundraising. In this chapter, we mostly concentrate on fundraising from foundations and not individuals, although much of this information can be applied to strategies that target individual donors as well.

Develop Institutional Donors

Foundation Program Officer Position Profile

When applying for funding from foundations, organizations usually need to have contact with the foundations' program officers. Program officers have detailed information of grant applications and make the first decisions on applications. However, your contact with them should not only be limited to submitting applications. Normally, you can build a relationship and gain a significant amount of useful information simply by asking questions, which also shows program officers that you are determined and active. Considering situations from a potential donor's perspective can help you communicate with your donors at various levels more easily. Knowing both yourself and your donor well are essential to success. Although every individual is unique, we can begin to understand foundation donors by considering the common responsibilities and priorities of a program officer.

A typical foundation program officer has:

- A large area of responsibility, *e.g.*, all of China, the Asia-Pacific region, or a long list of countries in different parts of the world that are difficult to reach;
- A sum of money that must be spent each year to meet foundation requirements
- Restrictions on areas that he or she can fund, *e.g.*, HIV/AIDS and policy advocacy, or services to migrant children;
- To make recommendations on which grant applications to fund to his or her boss or board of directors;
- A duty to the foundation's core principles and image. Money must be spent in a way that is responsible and aligns with the foundation's mission;
- To ensure that grantee organizations are reliable and accountable. This is why many NGOs who have multiple donors are able to get

more funds than smaller, lesser known organizations, because, from a donor's perspective, they are a safer investment;

- To handle a large volume of paperwork and attend many meetings – sometimes they do not have many opportunities to personally inspect grantee organizations;
- Relationships with other program officers and other institutions. Philanthropy is strategic, much like NGO work, so coordination is key. Program officers often ask each other for formal and informal references on grantees, and may be able to help you in reaching out to new funders in the field.

Things that are Important to a Foundation Program Officer

We all wish that the important work conducted by organizations would not have to be suspended as a result of insufficient funding, and that foundations could fund all organizations based on their needs; however, now that you know the typical responsibilities of a program officer, you must understand that they are subjected to many restrictions when deciding who to fund. So, to see which organizations that program officers choose to fund, we should also take a look at their priorities, based on the requirements of their duties.

They are looking for:

- NGOs that are doing meaningful work and that are capable of completing their projects;
- NGOs that handle money responsibly and submit reports in a timely manner;
- NGOs that have a good reputation;
- NGOs that do not fight with other NGOs that the donor supports or fight with other donors;
- NGOs that do effective work and demonstrate concrete benefits from their programs;

- NGOs that work safely and in a way that is sustainable;
- NGOs that have the support of other foundations. As mentioned above, this suggests that it is a safe investment and likely to succeed because the NGO does not just rely on one donor for all of its income.

Training Game

Relay Race: What is important to a foundation's program officer?

Instructions:

1. Divide participants into two groups.
2. Put two desks in the room, with paper and markers on each desk.
3. Ask participants of each group to stand on the opposite sides of the room.
4. Ask participants "What things are important to a foundation program officer?"
5. Each person in the two groups has a turn to write his answer on the paper when the music starts.
6. Each person can only write one answer for each cycle. One answer equals one point.
7. When the game is over, calculate the total scores of both teams. The group that receives the higher score wins.

Note：Incomplete and duplicative information should not count towards the group's total score.

Once you understand a foundation program officer's responsibilities and perspective, you will need to improve your own strategies and think of institutional donors as long-term investors (which is often the case).
Here are a few more things to keep in mind for developing and sustaining relationships with institutional donors:

- ✓ **Organization's Success**: You need to understand the donors and they need to care about your organization's success.
- ✓ **Future References**: If you build a good relationship, they are more likely to be long-term supporters, recommend you to others, and help you obtain many more opportunities.
- ✓ **Keep Them Interested**: If you do not keep them interested and engaged in your work, they may not fund you next time.
- ✓ **Keep Being Competitive**: They are always meeting new NGOs. You can only keep competitive by constantly improving yourself.
- ✓ **More Donors**: They want to see you be successful and they want you to have many donors, which also causes their investment to be secure and effective.
- ✓ **Collaboration**: They want to see you cooperate with others. Donors are often more likely to fund two groups working together than one group alone.

The key to building relationships with institutional donors is to understand and appreciate their perspectives. For more information, please read the article on the next page, **How Donors Think**, written by Daniel Wolfe, the Director of the International Harm Reduction Development Program at the Open Society Foundation.

How Donors Think[1]

Daniel Wolfe

I worked for an AIDS NGO before I became a donor, and there are many things about donors I wish I had known when I worked for an NGO. Perhaps the most important thing is understanding how donors think about what they do.

- Donors hope to have "insurance" for the programs they fund;
- Understand donors' prioritized key words;
- It is a happy combination if your goals and expectations are consistent with those of your donors.

Donors have an ambivalent relation to other donors, but they usually like the "I will if you will" dynamic — where one donor will put in funds because they are reassured that another donor has also regarded the program positively. At the same time, donors also like taking sole credit for things and talking about their particular impact, so in many cases the best situation is one in which you, the NGO, are getting co-funding, but can also identify the "special" contribution a particular donor is making.

1. *Understanding donor priorities:*

Donors also like to see you get support from other donors because it makes us feel like a project is less vulnerable if we change our minds, which we do more often than we like to admit. Doctors in the West diagnose children with attention deficit disorder, ADD, and prescribe them medications. Sometimes I think someone should diagnose donors with DDD — donor deficit disorder — because donor priorities frequently change. Sometimes this is because of a change in government in the donor's home capital, or because a new boss came to the donor

[1] Available at http://asiacatalyst.org/blog/2009/12/07/how_donors_think/

organization, or because one division ended, or because a donor decides that a particular country has "graduated" (which is usually code for the fact that they don't see it as useful to work there anymore). Because of all of this, it's safer for you to have another donor in your back pocket.

Donors always have priorities — and you should feel free to ask them if there is, in writing, a document that spells these out. Then try to see if there is a way in which your proposal to a donor can seem responsive to what they say is most important to them. Donor priorities come with words they like. These move and change, and like fashion trends, often become popular among multiple donors at the same time. One year all the donors may be talking about "sustainability," or "advocacy" or "monitoring."

Knowing what a particular donor is interested in supporting, and figuring out whether the project you have meets their priorities, is one-half an objective assessment of your work, and one-half a storytelling exercise. What do your staff and supporters understand to be the story of your organization? Where do you start? Where are you going? Who are the heroes of your story? What challenges do they find on their way? When your story matches the story the donors are telling about their own work, this is a happy combination.

2. *Finding funding for advocacy:*

At my organization (the Open Society Foundation (OSF), formerly known as Institute (OSI)) Public Health Program, one word we like right now is "advocacy." This doesn't always translate very well into the languages of countries where my program works, but if I had to define it, I would say **it means action to change the laws, policies, and practices of those who hold power over other people**. (I know one trainer who shows a picture of a hand on a light switch, and tells people that advocacy means thinking about whose hand is on the switch and how to move it to the "on" or "off" position. Who can make it happen? What information do they need to be

convinced? Who needs to carry that information to them? What it will take for there to be change and light?)

- Think about how you would show, at the end of a year, whether the money you received made any difference;
- It's better to be able to tell the donor about a concrete change, or a step toward change, that came out of those meetings.

OSF is less concerned than a lot of donors with evaluation, in part because we are a private foundation (meaning that we get our money mostly from private donors, not from a government). In general, grants from governments mean more evaluation, more paperwork, and less possibility of small grants. But even we at OSI, who like to be flexible, have to evaluate the impact of advocacy efforts. When you are funding service programs, it's easy to define outcomes — so and so many people reached with a clean needle, so and so many clients seen by lawyers, and so on.

With advocacy, especially since policy change can take a long time, it's harder to know at the end of a year whether the money we gave made any difference. For you as NGOs, this means also thinking about how you would show, at the end of a year, whether the money you received made any difference. Of course, funding always makes some difference. If you had twelve meetings you didn't have before, that is something, but it's better to be able to tell the donor about a concrete change, or a step toward change, that came out of those meetings.

3. *Focusing on "small" changes*

- Donors would like to see small but concrete changes
- Don't squeeze your organization into a shape that will get you the funds

As a donor working with groups that often get grants of $20,000 or less, one big piece of advice I would

give is to keep it small. Sometimes, reading proposals, I feel like NGOs are good at capturing their ideal aspirations, like “changing the punitive paradigm that keeps drug users treated as criminals rather than patients”. But what I would really rather read as a donor is what small and concrete change will happen.

It’s unlikely that my grant for $10,000 dollars can undo the discriminatory social paradigm into which governments have poured millions of dollars and thousands of hours of propaganda. It’s more realistic that an NGO working locally can get the local social benefits office or provider of HIV treatment to stop writing the names of drug users or people with HIV on the board where anyone can read them, or that an NGO can help convince the local health department to issue a regulation allowing methadone to be provided in maternity hospitals. Those are small but concrete advocacy successes that will make a donor proud of the grant we gave you. An even greater challenge is to write how you were able to make positive change for others beyond the members of your group — change that can be reproduced at the level of the province, or the national government.

Finally, it’s a good idea to decide what you want to do and try to raise money for that, rather than trying to squeeze your organization into a shape that will get you the funds. Some pragmatism may be necessary — it’s true, for example, that there is a lot more money in the world for HIV programming than for human rights or drug policy. But if you go for a project that your organization doesn’t really care about, you may get the grant but lose your soul.

Daniel Wolfe is director of the International Harm Reduction Development Program at the Open Society Institute. IHRD works in 23 countries to protect the health and human rights of people who use drugs.

How do you find donors?

Now that we have discussed how to build relationships with donors by appreciating their perspectives, you might ask: where should I find these donors? What should I do after identifying them? Next, we will focus on how to find donors and on practical communication skills with donors. Remember, this chapter mainly focuses on institutional donors; nevertheless, for individual donors and fundraising from the public, you can use these skills and methods as reference.

Keep in mind: an **executive director** should be constantly searching for donors; 50% of his or her time should be on fundraising. Your **board of directors** should always be looking out for you. The key responsibility of a board of directors is to help an organization to operate effectively. Some organizations have a board of directors but it exists in name only. We recommend that an organization fully utilize the resources that its board of directors can bring.

Where can donors be found?

- **Nonprofit annual reports** of other organizations or networks – usually they will mention donors, grant amounts and programs they support;
- **Foundations' official websites** – you might need to read English to comprehend the information as many international foundations' websites are in English;
- **Email groups** – many people working at NGOs are in email groups; donors will publish calls for applications through these email groups, so be aware of these opportunities;
- **Ask your friends** – it is good practice to share donor information with colleagues and introduce your peers to your donors. This is not only a kind thing to do for your peers, but also it impresses donors; donors like to see organizations working together and cooperating well. Hostility and competing for resources makes a bad impression;

- **Ask existing donors** for ideas – as mentioned before, foundation program officers often communicate with each other, thus they have broad connections and resources for you to discover;
- **Embassies** – they usually have grants to support NGO work; they will also hold social events regularly where you can build your network for fundraising;
- **Foundation Center** (www.foundationcenter.org) – collects the latest news and information from many foundations globally (but there is a membership fee); alternatively, there are many similar online platforms serving the same purpose, some of which may be more or less popular in different regions;
- **Peer give to peers** – if you see a good lead for one of your friends, pass it along. Ask your friends to do the same.

In addition to the methods listed above, you may need to discover some other methods according to your organization's particular situation. For example, you can search key words via search engines like Google and Baidu or send enquiries and emails to foundation program officers. Keep a positive and proactive attitude when seeking funding, so that you may consider and take advantage of new opportunities as you conduct your search.

Research the donor

We have introduced the key to building relationships with donors – thinking from their perspectives – and how to look for donors. However, in the process of searching for and interacting with donors, you need to keep in mind that your ultimate goal should always be to receive funding. Therefore, avoid taking random steps, like sailing without a compass. Every donor has its own position and focus. If you are a children's rights organization, then spending a large sum of time pursuing funding from a foundation that focuses on environmental protection is not very appropriate. We suggest you conduct thorough background research on

the donor and evaluate if your program is within their focus areas, before reaching out to a foundation or applying for a grant.

You can research potential donors by:

- Asking peer organizations, friends and colleagues about their experiences with the donor;
- Visiting the potential donor's website and paying attention to:
    - The organization's mission statement and the language they use. This will help you to analyze a donor's preferences and scope; for example, if a donor uses "health," "advocacy," and "rights" repeatedly, then you can pretty much draw the conclusion that they like programs aimed to ensure people's right to health through advocacy work;
    - What grant amounts they give. Consider the question of the grant amount for which you applied in **How Donors Think** – if your budget is $10,000, then it is not practical for you to apply for a foundation which normally gives grants that exceed $100,000;
    - What other projects they have funded. Donors are more likely to fund similar projects again;
    - Do they say "invitation only" or can you apply directly? Some foundations do not call for applications directly but send out application invitations to designated organizations.

Checklist for Donor Meeting

- ☑ 5-minute pitch
- ☑ Dress neatly
- ☑ Pen and notebook
- ☑ Annual report of your organization
- ☑ Flyers
- ☑ Publications
- ☑ Strategic Plan
- ☑ News reports
- ☑ Business cards

Very important: all materials must be in a language that your donor understands.

Reach out to the donor

It is worth reaching out to donors even if they have not yet published a Request for Proposal just to establish a relationship. The steps are:

Preparation

When meeting a potential donor, you need to:

- Email to request a meeting to introduce your work and learn about what they do; better still if you can be introduced by a peer or mutual friend;
- Prepare a five-minute pitch to describe: why your group is important, your successes, your plans, and a list of projects (in the next section, you can practice the skills behind a successful five-minute pitch);
- Prepare a donor kit: your organization's annual report, flyers, published materials, strategic plan, news articles and business cards;
- The materials you bring should be in their language. Do not give them a stack of Chinese materials if they do not read Chinese; include, at most, only one item that is in a foreign language.

Meeting the Donor

When you have a meeting set up, you want to make sure that you are well-prepared and leave a positive impression. But you also want to use this meeting to better understand the donor's point of view and their funding priorities. In the meeting, you must be professional:

1. Be on time and be neatly dressed; do not wear t-shirts or jeans;
2. Bring paper and pencil and take notes; make sure to keep notes on each meeting you have with a donor, including the actions you need to do to follow up;
3. Turn off your cell phone;
4. Listen more than you talk. Remember, you are gathering intelligence about a prospective donor.

This is your golden opportunity to learn about a donor's interest, so make sure you listen carefully when they talk. In the meeting, you can pay attention to:

1. What terms do they use? Try to use similar language, if appropriate;
2. Ask questions: What are projects that they feel have been successful? What are challenges they see in this area? What are the trends?
3. What are they passionate about?

If it seems like there is an overlap between what you do and what they do, pitch a project. We will introduce you how to prepare for a program pitch.

Meeting Follow-up

Whatever happens in the meeting, you must follow up the next day:

1. Send an email thanking them for the meeting;
2. If you mentioned any materials or resources in the meeting, send them immediately;
3. If they encouraged you to make an application, then apply. If they did not, then do not;
4. Invite them to join your mailing list and/or to attend future events;
5. If this is a potential major donor, give them a call every three to four months to update them personally.

If they do support you with a grant, does this mean your work is over? Absolutely not! Your work has just started. You need to make efforts to keep them interested and engaged in your work. If they fund you once, they may do so again. Thus, make sure：

1. Regular updates! Not just grant reports, but phone calls, visits every few months to tell your donor "Here is what we have been able to do with your support";

2. Acknowledge them publicly. For example, when launching a report supported by your donor, you can write: “This report was published with the support of the Frick Foundation.”;
3. Always submit grant reports on time. Honesty and trustworthiness are the basis of collaboration, so try to do things as you promised; moreover, a contract is needed when a donor decides to support you, so whatever is contained in that agreement will be legally enforceable;
4. If your budget is going to change significantly, *i.e.*, by 10% or more, call them first to ask if it is okay and explain why. You never want to have any surprises in the grant report;
5. Ask them for advice – “We are thinking about doing X, is that a good idea?”
6. Always give them good news;
7. If there is bad news, make sure they hear it from you first. Remember, foundations often talk to each other; so if you do not tell them, they will hear about it very quickly from someone else. Present bad news in such a way that you also emphasize the parts that are good news;
8. Hold one donor cultivation event each year where potential donors can meet people who benefit from your work and hear about the great work you are doing;
9. Create a monthly newsletter if you do not have one yet to send an email with your NGO’s news to people who are current or potential future supporters;
10. Hold an annual event to thank everyone who has supported your NGO in the past year – not to ask for money, just to say thank you.

Key Points of Building Relationships with Donors

- ☑ Do your research before you meet;
- ☑ Maintain professionalism when meeting with a donor, listen and ask questions;
- ☑ Prepare a five-minute pitch for a few back-up projects just in case;
- ☑ Send a thank you note and keep following up, systematically – with both good news and bad;
- ☑ Donors have to spend the money – your job is to make it easy for them;
- ☑ Good NGOs share donor information and make introductions among their peers and donors;
- ☑ Build relationships through systematic cultivation over a period of time, whether or not they support you;