

XIV. The Funding Dilemma

The not for profit sector is now worth over \$1 trillion globally. This is truly 'big business' in terms of fundraising opportunities. Yet, without serious reflection and awareness, the competitive business of animal protection society fundraising can lead to many pitfalls. The most notable are: mission drift through chasing perceived funding opportunities rather than chasing funds for projects designed to achieve mission; cooption and neutralising due to acceptance of funds from governments and animal use industries; and compromising of reputation and ethical beliefs due to ill-advised funding options. Continuing to use outdated formulas that worked in the past, rather than adapting to the future needs and aspirations of funders, is another prominent pitfall. The key to these problems is to have an ethical fundraising strategy, which is geared to the mission accomplishment needs of the charity, takes account of the future funding environment, and is regularly reviewed in the light of this rapidly changing landscape.

Background

A SustainAbility report into NGOs of the 21st century (2003) speaks of signs of a 'seismic shift' in the landscape across which NGOs operate. There is no longer such a thing as 'business as usual' in the NGO sector, unless failure is an option. In terms of impact upon fundraising, SustainAbility concluded that much of 20th century funding of NGOs was fuelled by public anger or guilt, whereas 21st century NGOs will have to persuade supporters that they are a good investment. They forecast growing interest in NGO priorities, strategies, accountability and business models. This means a quick media horror story will lose the power to attract donations, unless all the other building blocks are present too. The successful NGO will have to move from professional fundraiser and media attracter to professional and reliable business model with a social mission.

The world is now in a constant state of flux. This includes the underlying priorities and values that influence fundraising. Trends in individual donations highlight the changing profile amongst the general public. Personal donations vary greatly and are influenced by factors such as gender, age and personal income. Voluntary income is heavily affected by the broader social and economic environment within a country. Official funding reflects the priorities of government. These factors are all changing with the times, and unless NGO fundraisers are 'ahead of the game', they will fail despite their best endeavours.

NGOs are essentially funded by economic surpluses produced in other sectors of the economy. The majority of NGO funding flows from North to South. The market provides corporate funding and investment income. The amounts of funding that animal protection societies receive from governments and other official sources are extremely low. So the need for income from fundraised sources is great. There are many difficulties and dilemmas in animal protection society fundraising, some of which will be examined in this chapter.

A 2003 article by Jim Henry of BOND for the Global Policy Forum examined the changing fundraising landscape of NGOs. It examined the 'explosive growth' of the international NGO sector, and the threats it currently faces from donors, competition, and from external challenges and pressures concerning legitimacy and accountability.

One of the positive developments noted by Henry is that donors are 'coming of age' and prioritising support and pressure which focuses on improving the capacity of Governments in other countries to deliver on their responsibilities. This is a clear move away from 'sticking plaster aid, towards campaigning for social change (and local capacity building). NGOs that will flourish will be those with substantial scope and scale of activities and quantifiable impact - perhaps as part of international networks or in strategic mechanisms for inter-agency collaboration.

There will be increased competition for funding, with larger NGOs obtaining any available official funding. Access to funding for core costs is critical in order to pay for the levels of management necessary to maintain high standards. Yet official funding has placed impossible limits on the costs of management and administration. Societies have survived only by using their scarce unrestricted income, investment capital and emergency reserves, to pay running costs. Flourishing societies have been those with access to substantial unrestricted funds, from membership or congregational support, or through fundraising from the public. But raising money costs money, for example, the 5 largest UK international NGOs spent over £60 million on fundraising in 2002.

NGOs that are flourishing are those with a voice, who can forcefully present and defend a well-formulated and coherent case. The problem facing smaller groups in particular, is the need to dispel the image of being a disparate and disorganised group, by engaging collaboratively and coherently in challenging policy. Networks play a key part in this.

In addition, an organisational response to this funding challenge will be for NGOs to move away from 'service delivery' to advocacy/lobbying and capacity building - activities that require less financial input and fewer fixed costs.

Strategic Fundraising

Fundraising needs to be strategic and proactive if it is to succeed in terms of maximising mission achievement for the organisation, rather than just raising funds. The chapters on 'Devising a Strategy for Success' and 'Operational Management' apply equally to fundraising. Modern fundraising departments need more than just a 'toolkit' of fundraising methods to try, analyse and repeat or reject. They need a full understanding of the animal protection environment, as well as its own particular funding environment. The key to all the fundraising pitfalls covered in this article is to have an ethical fundraising strategy, which is geared to the mission accomplishment needs of the charity, takes account of the future funding environment, and is regularly reviewed in the light of this rapidly changing landscape.

It is also vital that the fundraising department plays a part in establishing the overall organisational strategy, and then dovetails its own departmental strategy into the end result.

Change, Not Charity

Major funders of animal protection work, such as Trusts and Grants, have traditionally favoured service provision activities – which they tend to know as ‘practical projects’. This is probably partly due to the more tangible, measurable and emotionally pleasing results gained from this type of work in the short-term. However, as these bodies – and individuals - become more familiar with the complex animal protection environment, this perception is changing. More Trusts and Grants are beginning to realise that the service provision work they are funding, day-after-day, year-after-year, is failing to change the situation for animals in a real and lasting way. The only way to do this is through tackling the ‘root causes’ of these enduring problems. This may be longer-term, but it is sustainable.

A recent US study of NGO funders indicated that more respondents now distinguish between social justice philanthropy and charity – indeed, the Liberty Hill Foundation and the Reichstein Foundation have even taken 'Change, not Charity' as their mottos. They consider that it is philanthropy to 'support long-term systemic change rather than direct services'.

Many saw the fundamental characteristic of social justice philanthropy as attacking the roots of problems, rather than ameliorating its effects. Kavita Ramdas (Global Fund for Women, USA) cited Alison Goldberg's definition: 'grant making that aims to address the root causes of social and economic inequalities.' Christa Momot (Reichstein Foundation, Australia) said: 'it seeks to address fundamental causes of social ills and bring about systemic change. We do not fund direct service as a strategy to address systemic issues.' Cohen listed 'researching root causes of social problems' as an activity NCRP considered social justice philanthropy.

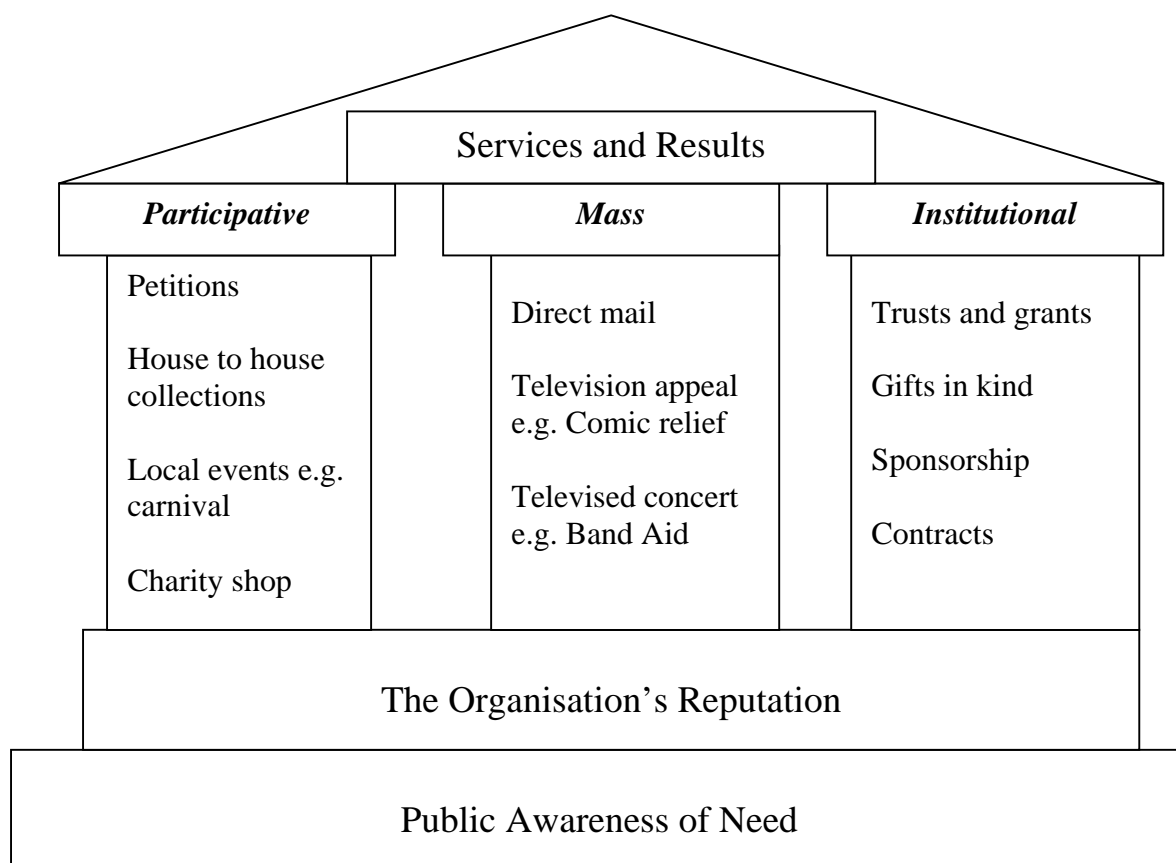
Augusto Varas (Ford Foundation, Chile) saw social justice philanthropy as different to traditional Latin American philanthropy in that 'it tackles the really difficult challenges facing a society, issues that are often controversial, can make people uncomfortable or angry and are in many cases politically sensitive'. This is a reason that foundations can be chary of social justice philanthropy. Marcos Kisil (Institute for the Development of Social Investment, Brazil) was more unequivocal: 'Social justice is part of human rights ... Social change is linked with the transformation of society with the emphasis on access to opportunities for development.'

Both Cohen and Emmett Carson (Minneapolis Foundation, USA) spoke of power relationships. Carson talked of foundations' efforts to change current power relationships between citizens and with government, business and the non-governmental sectors, while Cohen spoke of grant making to make society fairer by increasing political, economic and social opportunities for the disadvantaged or disenfranchised and more equitable distribution of political power.

This is enlightened thinking, and it must surely be the way forward for funders that want to use their money for sustainable change?

The Three Pillars

Funding comes from many sources, but these can be understood more readily if categorised – albeit in a simplistic way. The ‘Three Pillars’ of supporter and donor development are demonstrated below in diagrammatic form.



The first pillar is *participative fundraising*. Key skills needed for this are: organising people and events.

The second pillar is *mass fundraising*. Key skills needed for this are: communication and information management.

The third pillar is *institutional fundraising*. Key skills needed for this are: lobbying, networking and negotiation.

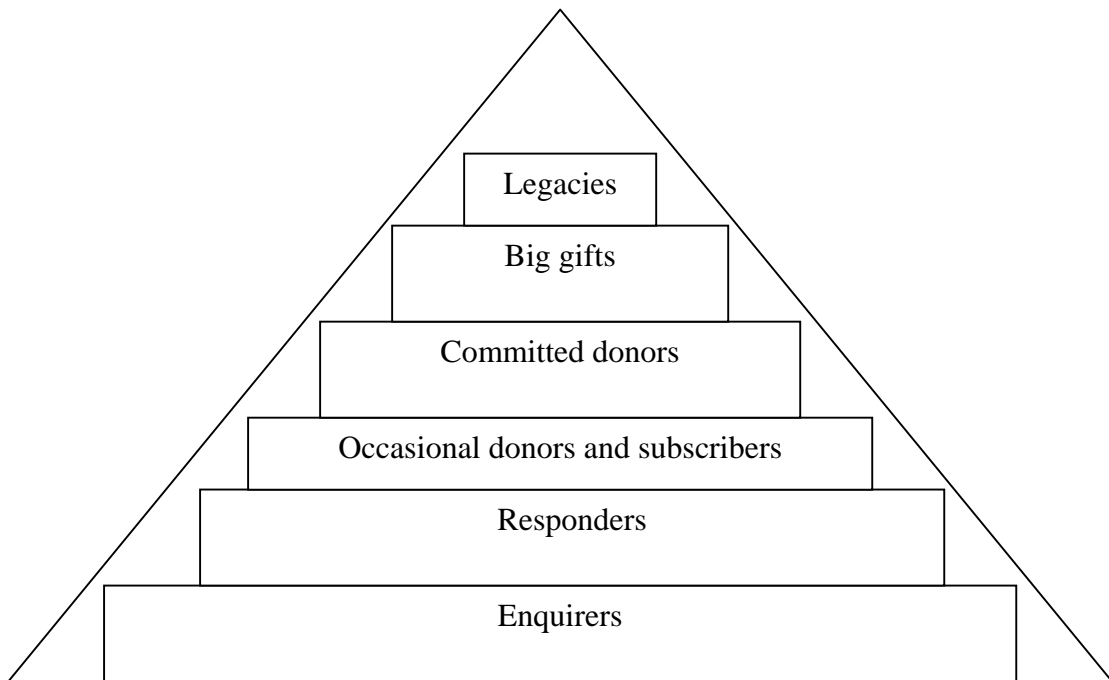
In general, a broad portfolio spreads risk. In recent years, we have seen funding problems arising from insufficient spread of funding sources – reliance on a few ‘tried and tested’ sources. For example, the loss of Trust and Grants funding after the stock market crashed. Legacies and Trusts and Grants are not regular and reliable forms of income. Legacies are, by nature, sporadic. Trusts and Grants usually only offer project-by-project funding.

Supporters and Donors

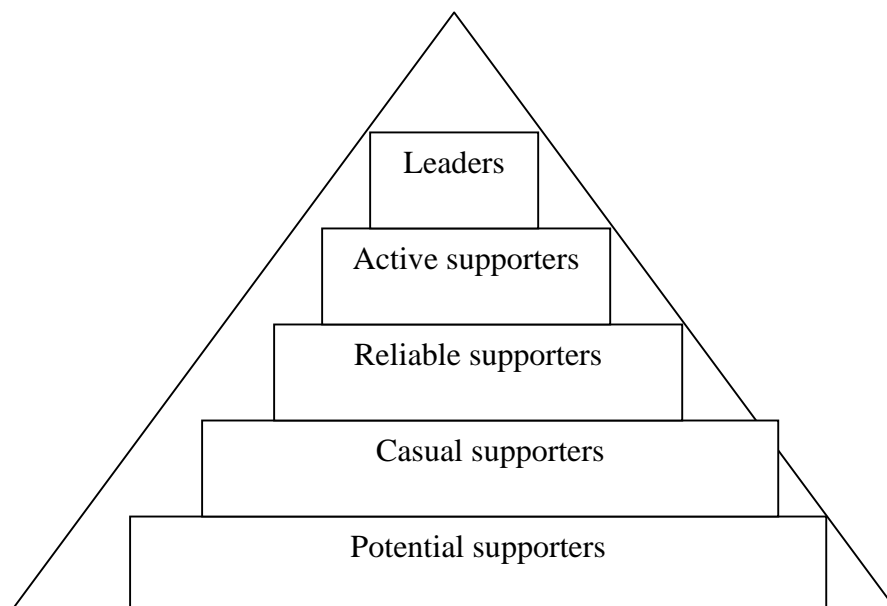
The basic concept for supporter development involves: -

- Acquiring supporters.
- Activating supporters as activists and/or donors.
- Enhancing levels of activism and/or donations.

This is shown in diagrammatic form below.



The Donor Pyramid



The Supporter Pyramid

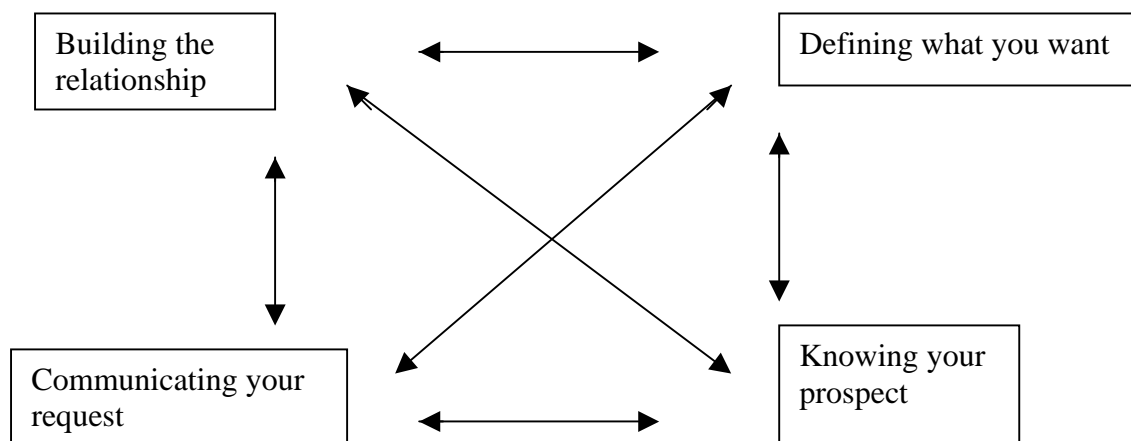
"Tell people - and they may forget...
show them - they may remember...
but involve them and they will understand."
Confucius, the Chinese philosopher

The objective for both donor and supporter development is to move your supporters as far up the pyramid as possible.

The same principle applies for each of these: -

- Knowing your prospect
- Defining what you want
- Communicating your request
- Building the relationship

This is demonstrated diagrammatically below.



Fundraising and Mission Drift

One of the major pitfalls with fundraising is causing mission drift through being funding led. This can be a conscious decision – but most often it is inadvertent and is caused through lack of a proactive fundraising strategy and operational programme. If an organisation has charted a clear organisational strategy (with fundraising aspects fed into this), which aims a clear course towards mission fulfilment, and a clear supporting fundraising strategy and operational plan, then the chances of mission drift are slim.

Conscious mission drift is when an organisation changes its strategy in order to carry out activities that it deems will raise funds, but not make major gains towards mission accomplishment. This is patently obvious in the animal protection movement – as can be seen by the number of projects and campaigns to save whales and dolphins, bears, primates etc. – and, of course, disaster relief (how many pictures do we see of the daring aid worker in his/her society T-shirt holding a stricken dog in a disaster zone)? Of course, if such projects raise much needed funds towards the organisation's core

work, they may be worthwhile. The questions to be asked is how many resources are diverted from the society's mission, and does this make it worthwhile? In addition to the central question of mission achievement, there is an ethical dimension here – if the organisation is not actually doing valuable work to help the issue presented, then surely it is obtaining funds under false pretences? It is also gradually changing its brand and image.

Of course, this will sometimes occur due to a strategic decision to use a 'flagship species' to demonstrate (and make accessible) a wider problem: For example, using primates, especially great apes, to fight against experiments in the first instance (as the easiest target due to their genetic similarity to man) or using pandas or tigers to demonstrate the wider serious threat to endangered species and their habitats.

Unconscious mission drift occurs when organisations are offered funding to take a particular course of action that was not previously planned (and is not, therefore, part of its agreed programme towards mission achievement). This tends to occur with Trusts and Grants (especially where the society does not have its own clear, prioritised strategy and a proactive approach to Trusts and Grants based on this – or preferably, long-term relationships with appropriate Trusts) and individual donors (who may – rightly or wrongly – feel that the Society should carry out a project it personally feels is important). Although they may be well meaning, such approaches are manipulative and can cause the Society big problems. Fundraising targets are set in the society's budget, based on its agreed programmes. If there is to be any change to this, then there should be a strategic and budgetary review. This should not be taken lightly. In a well organised Society, there should be little danger of unconscious mission drift, and there should be an agreed approach to dealing with any such approaches – one that minimises time wasting yet provides holistic consideration of the 'opportunity' presented and its 'opportunity cost'.

There is, of course, a delicate balance – and sometimes even a tension - between funding needs and organisational operations to achieve mission. However, in this balance, the thought that always needs to be forefront in the minds that the mission is the organisational purpose. If the path toward mission is not followed, step-by-step, then the organisation will – quite simply – fail in its avowed purpose. It may become richer, but actually achieve less towards its mission than previously. This is not an empty claim, it has actually been witnessed!

Success without honour is an unseasoned dish; it will satisfy your hunger, but it won't taste good.
Joe Paterno

Carrying Supporters and Donors Along the Path to Social Change

Supporters and donors are important stakeholders of the organisation and, as such, should be consulted about the organisation's work. However, they are only one part of the wider stakeholder group. The organisation should take account of the views of supporters and donors, but not be driven by them.

The same applies to potential supporters and donors. Thus, whilst market research can be a valuable decision-making tool, it should not be allowed to dictate decisions. After all, the wider public are often more ill informed about the complex animal protection environment and problems, than many other stakeholders (in particular the organisation's professional staff).

As can be seen in the chapter on 'Devising a Strategy for Success', strategic decision-making is a complex area, requiring in-depth analysis, research and much weighing of various options. No single stakeholder should be able to exert undue influence. The 'big picture' is needed, as is awareness and understanding of both the organisation's mission and the wider movement's pressing need to create a social change programme.

A proactive programme to educate donors and supporters can really pay dividends – not only in terms of personal change, but also in terms of aligning these important stakeholders to the organisational mission and priorities. The majority are genuine supporters of the cause, and can be real assets of the society, and the investment is worthwhile in terms of bringing them along with the society as it charts its path to progress.

Funding and Cooption

There is a well-known saying that applies equally to NGO funding: 'He who pays the piper, calls the tune'. Funding can, and often is, used to influence NGOs. The following is a selection of articles from the Global Policy Forum Web Site that combine to indicate how governments try to influence the policy agenda by NGO funding (and withdrawal of NGO funding): -

With us or Against us? NGO Neutrality on the Line (December 2003)

Many US NGOs feel that US aid policy leaves no place for "neutral humanitarianism" in the "war on terror." In Iraq and Afghanistan the US government dramatically increased funding for private companies in sectors where NGOs traditionally work, such as health and education. (*Humanitarian Practice Network*)

How British Charity Was Silenced on Iraq (November 28, 2003)

This well-documented story from the *Guardian* shows how Save the Children UK came under heavy pressure when it criticized the US-led Coalition for blocking humanitarian aid in Iraq. Its partner, Save the Children US, demanded that Save UK withdraw the criticism, fearing that the US charity would lose financial support from Washington and other US-based donors.

NGOs under Pressure on Relief Funds (June 13, 2003)

The head of USAID referred to NGOs receiving Washington funding as "an arm of the US government," stating that they should report on their activities directly to the administration or face a cut in government support. (*Financial Times*)

UK Offers Iraq Crisis Cash to NGOs (March 12, 2003)

Oxfam, Care International and Médecins Sans Frontières will not accept aid funding from belligerent governments in the war against Iraq. NGOs say this will compromise

their neutrality and fear donations may be used by aggressor nations to justify war. (*Alertnet*)

The last article shows how some NGOs refuse to relinquish their neutrality – and thus their force for social change – despite the loss of funding that this entails.

Exactly the same dilemmas are present for animal protection NGOs. Funding can be used to influence their programmes, to neutralise their message and pressure and to co-opt them into a quasi government role (particularly payments for service delivery work). Organisations need to be aware and guard against this, if they wish to retain their potency and independence.

Funding and Corporations

The same problem can exist with corporate funding. If you examine Trust funds with corporate links, you often find a desire to give grants to the self-same causes that the business is destroying or harming in the course of its business activities. This may appear perverse at face value, but it is, in fact, a simple case of ‘damage limitation’ (or ‘positive PR’) to rebuild the reputation and standing of the company.

Notable examples include the following: -

- The BP Foundation gives substantial grants towards a range of projects including renewable energy, environment and nature protection.
- Frame (The Fund for the Replacement of Animals in Medical Experiments) includes an array of corporate members, including many well known for their own animal testing programmes (pharmaceutical companies, cosmetic companies and household product manufacturers), see: <http://www.frame.org.uk/frameinfo/corpsupport.htm>
- Many zoos also have foundations, which help to fund research into environmental enrichment, as well as conservation and educational programmes.
- The Wellcome Trust is the world's largest medical research charity, with a £15bn asset base. It aims to "to foster and promote research with the aim of improving human and animal health". It was established under the will of Sir Henry Wellcome in 1936 (Glaxo Smith Kline, the pharmaceutical giant, was formed through the merger of Glaxo Wellcome and Smith Kline Beecham).

With funding problems in the NGO sector, many begin to look towards corporate sector funding. However, NGOs are right to be wary of the obligations that come with corporate funding – and even the positive ‘kudos’ they are conferring on corporations.

Across the NGO movement as a whole, even those who insist that corporate funding does not neuter NGOs, are sensitive about the proportion of corporate ‘filling’ in the funding pie. Ken Ogilvie of Pollution Probe (Canada) stresses that NGOs should not become hostage to the aspirations of those from whom they are receiving their money. Accordingly, Ogilvie strives for diversity in his funding base, with 25% of the money coming from governments, corporations, individual donors and foundations.

Other groups are even more circumspect. Julie Gelfand, Executive Director of the Canadian Nature Federation, agrees that CNF's independence from corporate funding - just 5% of its budget - means it can afford to be 'more sceptical'. By the same token, she is concerned that groups such as Pollution Probe may be 'too closely aligned' with industry.

WWF has traditionally enjoyed good relations with the corporate sector. Monte Hummel of WWF Canada pioneered the practice of appointing business people to his board of directors, and WWF has forged a wide range of relationships with corporate partners. These include marketing relationships with media and other sponsors, sizable donations to support advocacy work, and licensing of WWF's famous panda logo.

Nevertheless, even where corporate funding of NGOs cannot be shown to have influenced decision-making, such arrangements are not without their complications. Occasionally NGOs can find themselves caught in the crossfire between corporate competitors. Hummel explains that WWF Canada has tended to avoid giving product endorsements, because it lacks the expertise to fully analyse the merits of competing products - and companies are quick to pounce when an NGO aligns itself with one of their competitors.

International Funding

According to Cathy Pharoah, Director of Research at the Charities Aid Foundation: 'Globalisation, and an increasing interest among funders in the international arena, has led to a burgeoning of international NGOs. Some evidence suggests that half of these were set up as recently as the '90s and yet, with the funding environment changing so rapidly, many are already questioning their future sustainability.'

'To survive the changing funding environment, NGOs must adapt. Relationships between northern and southern NGOs need to be strengthened – not only to build the skills and resources needed to secure funding, but to build the skills and resources needed to carry out their work effectively.'

These findings are part of a scoping survey for the international NGO sector that will be used by the international development network BOND to identify the most effective way forward for the future sustainability of funding for the international NGO sector.

One real concern in the international animal protection community as well as the wider NGO movement is the need to steer Southern and Central and Eastern European NGOs away from a detrimental dependence on international donors that are driven by Northern agendas. There is a real need to ensure that the change from international funding is done in a gradual and durable way, being replaced by sustainable models of local resource mobilisation in an effort to mainstream social causes by encouraging NGOs to innovatively collect support from local allies, such as the media, private companies, private individuals and the public in general.

The 2002 Mobiliza conference, which attracted 470 Brazilian civil society delegates, hosted under the auspices of Ashoka's 'Citizen Base Initiative', contained a programme that promotes local resource mobilisation. Sergio Haddad, president of the

Brazilian Association of NGOs, argued that NGOs have lost their critical edge in the pursuit of limited international donor funding. He called on the NGO sector to generate principles to influence public policy, and criticised national governments in the developing world for demonstrating poor form by engaging in 'client' relationships with local NGOs.

In South Africa the transition to democracy brought with it many challenges for its 98,000 NGOs. There is still a strong culture of entitlement in the NGO sector and a perceptible dependence on the international donor community. The key challenge facing local NGOs is that much donor funding is currently redirected to the state, making public funds a major source of income for the NGO sector.

According to Fazila Farouk, the director of Ashoka's Citizen Base Initiative in South Africa, South Africa has a poorly developed voluntary sector and corporate social investment - the second-highest source of NGO income, which is not premised on any real assessment of needs on the ground. Most local companies develop their social responsibility programmes in line with state priorities. Only a third of local NGO funding is derived from income-generation strategies.

Central and Eastern Europe is another area with similar funding problems. After the fall of communism, many Western European NGOs rushed to fund Eastern counterparts. But now the most developed of these have – or will be – joining the EU, their attention is wandering to other countries, leaving a serious funding gap. This will need to be filled with local funds, but the charitable ethos is not yet operational in the area, so more imaginative solutions will need to be found.

Funding and Ethics

There is also a clear ethical dilemma attached to the acceptance of funding, particularly from the corporate sector. For example, should an antivivisection group accept corporate funding from a company that tests its products on animals? Clearly most would deem this to be unethical (taking money from the profits of animal use/abuse). However, many charities that search for alternatives to animal experiments obtain a high proportion of their funding from animal testing corporations – and indeed feel that such corporations should give a proportion of their profits towards the search for alternatives.

The debate is the same in the wider NGO sector. For example, the British charity "Breakthrough Breast Cancer" rejected a £1m donation by Nestlé fearing that the company wanted to use Breakthrough's positive image to boost its own reputation. Activists accuse Nestlé of jeopardizing the lives of mothers and infants by pushing powdered baby milk sales in developing countries where water supplies are often polluted. (*Guardian*)

There are three main considerations: -

- Should the organisation accept 'dirty money'?
- Should the organisation permit the corporation to use its donation to enhance its reputation and positive image?

- Will the donation have an impact on the organisation's decision-making and neutrality?

The intuitive mind is a sacred gift and the rational mind is a faithful servant. We have created a society that honours the servant and has forgotten the gift.

Albert Einstein

Funding and Competition

As was pointed out in the chapter 'Forging a Movement – Collaboration and Alliances':

'The competitive ethos also militates against genuine cooperation. In fact, competition is probably the most serious impediment to the creating of a strong and coherent movement for social change. This is partly a product of ego, but is also wrapped up in competition for supporters and funding: it is notable that the market is mostly saturated in areas that attract the most funding (i.e. disaster relief, wildlife and particularly attractive species such as bears, primates, whales and dolphins etc.).'

So competition for funding between animal protection societies could be a major impediment to the forging of a movement for social change that is a force to be reckoned with? But is there a solution to this? Is it possible to collaborate wholeheartedly on certain priority issues whilst competing shamelessly (and with duplication) on others?

The irony is that most funders themselves want the very cooperation that fundraising competition prevents! Supporters are often asking 'why do you not cooperate with [a named animal protection society] on your projects?' or 'why do you not join together with [a named animal protection society] on their campaign? Perhaps it is time for funders to demand cooperation, and to withhold funding from organisations that compete and duplicate? Trusts and grants are also in a position to influence cooperation in a beneficial manner through funding schemes for cooperative ventures. Indeed, some have already gone down this route. This may be manipulative, but it could be for the greater good of the movement?

Charity or Business?

As in every area of an organisation's operations, a strategic approach to fundraising is not only desirable, but also necessary. Research and analysis are vital. The traditional fundraising methodology of evaluation and review are also essential. A proactive approach has been called for. So, yes – professional management – is the order of the day. But: the mission should always be first and foremost. It is, after all, the organisation's 'raison d'être'. Animal suffering is not just a product to be exposed and marketed. It is the very reason for the existence of animal protection organisations, and it will only be ended if this mission is followed with clear-mindedness, resolve and urgency. We cannot, and should not, allow ourselves to be distracted – because if we 'take our eyes off the ball' we will lose the game and the battle.

There is no such thing as a minor lapse of integrity'.
Tom Peters