NAVIGATING THE FUTURE: MAKING HEADWAY ON SUSTAINABILITY FOR SOCIAL ACCOUNTABILITY ORGANIZATIONS
“Financial sustainability is a journey, and a lengthy one at that.”

~Janet Mawiyoo, Kenya Community Development Foundation
This paper has been commissioned by the Global Partnership for Social Accountability (GPSA), a global partnership program within The World Bank Group.

The Global Partnership for Social Accountability supports public sector, civil society and private sector to work together to solve critical governance challenges in developing countries. To achieve this objective, the GPSA provides strategic and sustained support to CSOs’ social accountability initiatives aimed at strengthening transparency and accountability. It builds on the World Bank’s direct and ongoing engagement with public sector actors, as well as a network of Global Partner organizations, to create an enabling environment in which citizen feedback is used to solve fundamental problems in service delivery and to strengthen the performance of public institutions.

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Cover design: Martin Schmidt
Today’s shifting development finance landscape is having an impact on organizations, large and small, around the world. Many face the challenge of maximizing scarce resources and achieving financial sustainability to deliver better, longer-term services.

This is increasingly the case with the nonprofit sector, particularly so-called social accountability organizations. These organizations play an important role in ensuring that aid is implemented effectively and that citizens have an effective voice in government processes.

While some of these entities are finding innovative ways to adapt to change, many rely on single sources of funding, which over time can become unreliable and risky. And unlike other organizations that raise funds from governments, the mission of these organizations often puts them at odds with the government agencies that could provide a significant source of revenue.

Recognizing the need for innovative financing solutions, the Global Partnership for Social Accountability has collaborated with Professor Lester Salamon at the Johns Hopkins Center for Civil Society Studies to research potential options for social accountability organizations to achieve financial independence. The results present new ways of thinking about public goods and are applicable to institutions across sectors and social interests.

There are no easy answers, but institutions will have to look beyond grant funding and individual donations to remain financially secure. Market revenue from the sale of products or services may be one solution. And new sources of investment capital may also provide new sources of financing for agencies that provide public goods.

We at the World Bank recognize and value the contribution social accountability organizations make to addressing complex development challenges. I encourage you to join this important discussion on ensuring the financial longevity of these organizations.

Joachim von Amsberg
Vice President for Development Finance
World Bank Group
Washington, DC
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EXECUTIVE SUMMARY

1. This paper seeks to shed new light on the sustainability options, and particularly the financial sustainability options, potentially available to a particular set of “social accountability (SAcc) organizations.” Such organizations tend to operate in less-developed regions of the world and often in situations in which governmental accountability structures and traditions are far from fully established. Though intended as a preliminary “thought piece” rather than an empirical survey of practice even among this limited array of organizations, the paper nevertheless draws on a wide variety of sources, including a substantial body of literature, numerous interviews, organizational websites, and an analysis of recent trends in nonprofit finance to suggest five concrete strategies that SAcc organizations of this type can usefully consider.

2. Like other nonprofit organizations, SAcc organizations face significant pressures to make their operations more financially sustainable and less dependent on grant funding—particularly grant funding from abroad. Their ability to do so, however, is severely circumscribed by several features of their operations:

   a) Their mission often puts them at odds with government;
   b) They are producers of public goods, which makes it difficult for them to charge fees for their services;
   c) They depend for their effectiveness on their reputations for objectivity, which limits the domestic sources they can tap for support; and
   d) Like all nonprofits, they face serious general challenges in generating commercial, non-grant sources of support.

3. Despite these obstacles, new winds are blowing in the social-purpose finance arena and these winds are opening important opportunities for SAcc organization sustainability, at least some of which should be available to the SAcc organizations of principal concern to us here. These winds are doing so in at least three important ways:

   a) By highlighting the potentials for profit in unusual places;
   b) By opening doors to new sources of social-purpose finance; and
   c) By putting a premium on metrics and accountability, topics on which SAcc organizations should have a comparative advantage.

4. To take best advantage of these opportunities, SAcc organizations must take a strategic approach to financial sustainability. Such an approach involves recognizing that financial sustainability is just one component of an organization’s overall sustainability strategy, that the benefits of any financial sustainability option must be balanced against its costs, and that prominent among those costs are the potential damage that certain types of sustainability activity can cause to an agency’s mission or reputation.
5. Consistent with these developments and considerations, five strategies for SAcc organization financial sustainability can be discerned:
   a) Building the brand;
   b) Selling social accountability services;
   c) Selling by-products of social accountability services;
   d) Selling government savings; and
   e) Securing and managing assets.

6. To take advantage of these potential strategies, SAcc organizations will likely require assistance. Such assistance will need to include both financial and technical support as well as some carefully designed pilot efforts.

7. There is no “silver bullet” for nonprofit organization financial sustainability and the road toward such sustainability is a long one. But there is a visible pathway to SAcc organization financial sustainability and the sooner these organizations and those who support them set out on it, the sooner real progress will be seen. If this report helps to illuminate this pathway and encourage at least some intrepid travelers to set out on it, it will have served its purpose well.
 ABOUT THE AUTHORS

**Lester M. Salamon** is a Professor at The Johns Hopkins University, Director of the Johns Hopkins Center for Civil Society Studies, and Scientific Director of the International Laboratory on Nonprofit Sector Studies at the National Research University Higher School of Economics in Moscow. He previously served as Deputy Associate Director of the Office of Management and Budget in the Office of the U.S. President. A graduate of Princeton and Harvard Universities, Dr. Salamon has been a pioneer in the empirical study of the nonprofit sector and in the analysis of alternative tools of public action in the U.S. and around the world. His books include *Partners in Public Service* (Johns Hopkins 1996); *The Tools of Government: A Guide to the New Governance* (Oxford 2002), *Global Civil Society* (Kumarian 2004), *Rethinking Corporate Social Engagement* (Kumarian 2010), and *New Frontiers of Philanthropy: A Guide to the Actors and Tools Reshaping Global Philanthropy and Social Investment* (Oxford 2014). Dr. Salamon serves on the editorial boards of several journals, including *Atlantide*, the journal of Italy’s Fondazione per la Sussidiarietà.

**Stephanie Lessans Geller** has worked in the field of nonprofit studies for the past 20 years and has significant expertise in the U.S. nonprofit sector, social science research, and community wealth building. She received her MSW with a specialization in Social and Community Development from the University of Maryland School of Social Work and has a BS in Urban and Regional Studies from Cornell University. Since 2001, she has worked at the Johns Hopkins Center for Civil Society Studies, where she manages the Center’s domestic research projects focused on the nonprofit sector. She also currently works as a Clinical Faculty Field Instructor and Community Wealth Building Coordinator at the University of Maryland School of Social Work’s Social Work Community Outreach Service, where she focuses on promoting community wealth-building strategies and models, such as worker-owned cooperatives and social enterprise.

INTRODUCTION

With government support in decline and philanthropic resources barely growing, nonprofit organizations are in a frenzy over sustainability. When asked to name the three "greatest challenges" their organizations were facing out of a list of 22, for example, the largest portion of respondents (41 percent) in a recent survey of U.S. nonprofits cited "achieving long-term sustainability," and the next highest challenge cited ("diversifying funding sources") was another way of saying the same thing.¹ Half a world away, in the Republic of Kyrgyzstan, a straw poll of some 30 nonprofit leaders interviewed by the present author confirmed the same sentiment: when asked about the major challenge on their minds, every one named sustainability, and this has been further confirmed by similar conversations with nonprofit activists from Chile to China.

Not surprisingly, a virtual cottage industry of sustainability advisors has surfaced in response to this frenzy, assuring nonprofit leaders, as one of their websites puts it, that "sustainable funding is within reach of every nonprofit organization."² Reflecting this, a recent Google search on "nonprofit sustainability" yielded 9,760,000 entries in under a minute.

From all indications, however, this tidal wave of sustainability concern seems to have dwindled to a dribble as it has made its way to one important corner of the global nonprofit universe, namely, that occupied by "social accountability (SAcc) organizations." These are organizations that, according to recent GPSA usage, are involved in "citizen engagement with policymakers and service providers in monitoring and assessing government performance" (see Box 1).³

Despite the recent emphasis on sustainability planning, nonprofit organizations engaged in social accountability remain fundamentally tied to fairly traditional grant funding from international sources.

At the very least, well over a decade into this new era of nonprofit sustainability programming, nonprofit organizations engaged in social accountability remain fundamentally tied to fairly traditional grant funding from external governments, multinational development organizations, and foundations to finance their operations. And many remain doubtful that they have any other realistic choice. This, at any rate, is a major conclusion emerging from over 20 interviews with SAcc organization leaders and nonprofit sustainability technical assistance providers, reviews of SAcc organization websites, and examination of the proposals submitted by the successful grantees of the World Bank’s Global Partnership for Social Accountability. Even large and widely-revered social accountability organizations such as Transparency International have built...
their operations on the base of such traditional sources of support and have been slow to develop any broader financial sustainability planning.\textsuperscript{4}

\textit{At least four powerful headwinds are impeding SAcc organizations' progress toward financial accountability.}

**The Sustainability Challenge for SAcc Organizations**

This is understandable enough in view of the special role and characteristics of social accountability organizations. As reflected in Figure 1, at least four powerful headwinds impede SAcc organizations from finding alternative pathways to true financial sustainability.

**Figure 1:** Head winds impeding SAcc organization financial sustainability

- First, the mission of social accountability organizations puts them at odds with what has been perhaps the major source of sustainable financing for other nonprofit organizations globally: i.e., government. One recent study of the limited number of U.S. nonprofits that have achieved meaningful scale in recent decades revealed that government support was the principal source of sustainable funding for over 70 percent of these organizations,\textsuperscript{5} and this finding has been confirmed cross-nationally as well.\textsuperscript{6} Doubtless contributing to this outcome is the fact that most of these nonprofits have been engaged in delivering concrete services—such as health care, education, and social services—that governments are increasingly turning to nonprofits to help them deliver.\textsuperscript{7} But, as noted, the fundamental role of SAcc organizations is to hold governments to account, which often puts them at odds with government officials. Their situation therefore puts a special twist on the old adage about “not biting the hand that feeds you.” In their case, they are confronted by governments not eager to “feed the hand that bites them.”

- Second, as producers of “public goods,” i.e., goods and services that all citizens can access for free, SAcc organizations face special barriers in generating fee income. This is due to what economists call the “free rider problem.” If social accountability organizations improve government accountability or generate useful information about government programs, everyone in the community benefits whether they have paid for the result or not. The fact that SAcc organization missions often put a premium on the free disclosure of information only intensifies this classic problem. This makes doubly true for SAcc organizations the observation of one nonprofit expert who called the idea of some pundits and
foundation officers that there is an easy sustainability “take-out strategy” for nonprofits an “internal fantasy” that “ignores the fact that public goods are hard to monetize without compromising a nonprofit’s mission.”

- **Third, certain sources of funding are largely off-limits to SAcc organizations because of the potential risk they pose to organizational reputations.** The effectiveness of SAcc organizations rests heavily on their reputations for objectivity, but this can be threatened by receipt of funding from the organizations that they are supposed to be holding to account. To be sure, receipt of external grants can raise such threats as well, but the closer the funding is to the object of the accountability work the greater the reputational risk. This makes it dangerous for SAcc organizations to rely too heavily on indigenous governments, businesses, or even nonprofits in their areas of work.

- **Finally, SAcc organizations share with other nonprofits the general risks associated with entrepreneurial activity.** Creating profitable enterprises capable of generating net positive streams of revenue is a challenging undertaking under any circumstances. Doing so as a nonprofit only intensifies the challenge. For one thing, it puts added demands on already limited management talent. For another, nonprofits have limited access to investment capital since they cannot pay dividends to investors and therefore cannot attract equity investors. According to one recent study, it took the Grameen Bank, the microfinance poster child, 17 years to break even after its launch in 1976, and other trajectories have proven equally demanding. The Acumen Fund, a U.S.-based social-impact investment organization, has had to filter through more than 5,000 companies over ten years to find 65 promising enough to invest in, and this with a set of financial return expectations that is highly conservative by investment standards.

**A New Day?**

Despite these impediments, however, there are reasons to be guardedly optimistic about the sustainability prospects for SAcc organizations at the present time.

*Powerful forces are pushing all nonprofit organizations toward new models of funding.*

**New sustainability pressures.** For one thing, powerful forces are pushing all nonprofit organizations toward greater concern for new models of funding, and it is doubtful that SAcc organizations will be able to avoid the pressures. This is so for at least three reasons:

- **First,** there is just a small pool of donors interested in social accountability, so as the field grows, traditional funding has gotten tighter, and this process seems likely to continue.

- **Second,** donor funding is notoriously fickle. As regions develop and problems of accountability lessen, funders naturally turn their attention elsewhere, where problems are even more severe, even though the need for social accountability persists in the original locations. The case of Corporación Participa, a highly effective Chilean social accountability organization, is a case in point. A key player in the long struggle for democracy in Chile, Participa found itself high and dry...
and forced to close its doors in 2013 once Chile developed economically and politically and major donors departed for areas in greater need.\footnote{11}

- \textit{Finally}, funders are increasingly looking for long-term sustainability plans from organizations before even inaugurating support, and certainly once support gets under way in earnest. This puts pressure on organizations to think creatively about the alternative possibilities that might exist even while receiving ample donor support.

\textit{SAcc organizations stand to benefit from a number of new winds blowing in the social-purpose arena.}

\underline{New winds.} In addition to facing significant pressures to focus more attention on sustainability, however, SAcc organizations stand to benefit from a number of new winds blowing in the social-purpose arena that promise to open new sustainability opportunities to them. As will be detailed more fully below, these winds are carrying three new messages that could help propel SAcc organizations into a new era of sustainability: \textit{first}, that profit is available in unexpected places; \textit{second}, that new streams of capital are becoming available for social-purpose activities; and \textit{third}, that metrics form the key to unlocking this capital.

\underline{Outline of This Report}

To assist SAcc organizations to identify and seize the resulting opportunities, this report proceeds in four basic steps.

\underline{Rethinking sustainability.} The report begins by clarifying what sustainability might appropriately mean for SAcc organizations, and particularly for SAcc organizations operating in less developed or transitional societies. This is an important step because of the impediments to sustainability for these organizations identified earlier. As a result, the priorities and options for sustainability on the part of these organizations may differ in important ways from those applicable to other nonprofit organizations. Although much of the recent sustainability discussion has focused on the generation of market-based streams of revenue, for example, a central argument developed here is that an effective pursuit of sustainable market-based revenue sources for SAcc organizations cannot overlook the other dimensions of sustainability, which involve more traditional features of organizational effectiveness and organizational reputation.

\underline{New winds are blowing.} Our second step is to examine the new winds that are blowing in the social-purpose arena broadly conceived and the implications they potentially hold for the sustainability options facing SAcc organizations. A central argument of this section is that SAcc organizations may be exceptionally well positioned to take advantage of these new winds, but they will have to set their sails appropriately to take full advantage of them.
Five promising strategies. Against this backdrop, the report then identifies a number of promising strategies that social accountability organizations might usefully consider. Five of these are singled out for special focus:

1) Building the brand;
2) Selling social accountability;
3) Selling byproducts of social accountability;
4) Selling government savings; and
5) Securing and managing assets.

Getting from here to there. A fourth section then identifies some next steps that could usefully be taken both by individual organizations and by entities interested in promoting the sustainability of SAcc activities and organizations. A central argument of this section is that individual SAcc organizations, particularly those of central focus here, cannot realistically be expected to develop these various strategies on their own. Rather, a variety of supports will be needed to assist SAcc organizations to explore the various options. This may involve forming a “learning community” to review and discuss various options, the preparation of case studies on the more promising of these options, the creation of a financing facility to provide the capital that such options are likely to require, and a broader program of on-going technical assistance and interchange to spread the resulting experience to larger networks of organizations.

Conclusion. A concluding section will then sum up the principal messages that this report seeks to convey.

An Important Caveat

It should be noted at the outset that this report was undertaken as a preliminary thought piece intended to outline a range of potentially promising possibilities rather than as a systematic empirical study of one or more particular strategies or of a significant cross-section of actual sustainability efforts. The focus is on strategies that could be deployed by SAcc organizations. To do so, the report draws on a variety of sources. These include the senior author’s work on the “new frontiers of philanthropy,” interviews with over a dozen leading nonprofit social accountability organizations and sustainability capacity-building firms, scrutiny of websites of other such organizations, and a review of over 50 items that represent a reasonable cross-section of the academic literature on nonprofit sustainability and finance. Out of these sources we believe we have drawn some useful insights into a set of sustainability strategies that offer sufficient promise for SAcc organizations to be worthy of further exploration and consideration. The work has benefited greatly from suggestions on an early draft of this report from the World Bank’s Global Partnership for Social Accountability and from the time and attention of the many people we have interviewed. The responsibility for any observations or recommendations offered here belongs with the authors, however, and we accept it fully.

To set the stage for what follows, we look first a bit more closely at the concept of sustainability itself to clarify how we propose to use this concept in this report and what special twists the concept must take to be applicable to the SAcc organizations of special concern to us here.
1. BASIC ANALYTICS: What Is Sustainability and How Should It Be Approached by SAcc Organizations in Developing Settings?

Organizational sustainability depends on a wide variety of components.

Sustainability is one of those words that can mean almost anything. As a result, however, it can come to mean nothing. Sustainability applies to the environment, to agricultural production, to nutrition, to health, and to many other fields, including nonprofit organizations, as the Google search of sources on the topic of nonprofit sustainability mentioned earlier made clear. Even when attention focuses narrowly on the sustainability of nonprofit organizations, however, multiple dimensions are still involved. This is so because organizational sustainability depends on a wide variety of components—effective management, competent staff, clear missions, supportive stakeholders, solid reputation, and, of course, adequate financial support. And each of these must be sustainable for the organization to be sustainable.

At least five different schools of thought can be discerned even about nonprofit financial sustainability.

Alternative Conceptions of Financial Sustainability

The principal focus of this report is on the financial dimensions of sustainability. Even when we narrow the focus in this way, however, complexities remain. This is so, in the first instance, because the options for nonprofit financial support are so numerous, as illustrated in Box 2. In addition, at least five different schools of thought even about nonprofit financial sustainability can be discerned in the literature, as reflected in Table 1. As we will see, each of them holds an important kernel of insight that can help put the sustainability options for SAcc organizations into perspective. But none provides a sufficient guide to the kind of strategic approach to sustainability that SAcc organizations will require if they are to surmount the obstacles to their sustainability that we identified earlier. A brief review of these conceptions should help clarify what such an approach should involve.

Box 2

Financial Sustainability Activities

- Commercially generated revenue
- Results-based financing
- Relationship marketing
- Identity-based donations
- Earned income strategies
- Program service revenue
- Membership services
- Membership fees
- Scaling up
- Public contracting
- Mezzanine financing
- Fee-based services
- Event financing
- Endowment funding
- Planned giving
- Venture philanthropy
- Grant funding
- Sustainable management
- Funding diversification
Table 1: Five conceptions of nonprofit financial sustainability

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<thead>
<tr>
<th>SUSTAINABILITY AS:</th>
<th>MAJOR FOCUS</th>
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<tbody>
<tr>
<td>1. Financial sufficiency</td>
<td>Funding adequacy regardless of composition</td>
</tr>
<tr>
<td>2. Revenue diversification</td>
<td>Revenue diversification the key to sustainability</td>
</tr>
<tr>
<td>3. Market income/product development</td>
<td>Commercial revenue and product development the real prerequisites of sustainability</td>
</tr>
<tr>
<td>4. Beyond revenue generation</td>
<td>Financial sustainability just one component of organizational sustainability</td>
</tr>
<tr>
<td>5. Alignment of benefits and costs</td>
<td>Financial sustainability options must balance benefits against costs</td>
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**Sustainability as resource sufficiency.** A first school of thought views the financial sustainability of a nonprofit organization as the ability of its management to maintain the organization and its programs over the long term. The goal of financial sustainability in this conception is to maintain or expand an organization’s services and activities while developing the resilience to withstand occasional short-term downturns (e.g., short-term loss of program funds, or monthly variability in donations). While adherents to this view acknowledge that financial sustainability also involves the ability to develop, mature, and terminate programs and be responsive to changing constituent needs, this conception focuses mostly on the adequacy of resources for current operations and has little to say about the composition of revenues, as opposed to their overall scale and durability.

**Sustainability as revenue diversification.** Far different is a second school of thought that emphasizes the need for diversification of sources and streams of funding as the key to financial sustainability for nonprofit organizations. This approach is grounded in the “resource dependence theory” of organizational behavior, which holds that dominant providers of resources can significantly influence organizational behavior and focus, often in ways that undermine mission. The thrust of this approach is thus to familiarize organizations with the full panoply of forms of revenue potentially available to them, from traditional grants through the sale of goods and services to property income, and to the broad array of potential sources of such revenue that can be approached.

**Sustainability as “product development” and “market income.”** A third, increasingly widespread, recent conception focuses more narrowly on one particular form of revenue as the real key to financial sustainability for nonprofit organizations, and particularly nonprofits in developing settings: i.e., what is often referred to, erroneously, as “earned income,” or, more properly, as “market income.” The central
thrust of this approach is to identify alternatives to reliance on grants, particularly grants from developed countries, on the theory that such grants create dependencies that can leave organizations defenseless when donor priorities shift.\textsuperscript{20}

Taking its cue from the literature on corporate business strategy, which points out that the primary strategy for value creation in the commercial arena is “product innovation,” this school of thought argues that nonprofits tend to focus too narrowly on innovations in “fundraising” instead.\textsuperscript{21} As a consequence, they fail to see options that could provide more permanent funding streams by developing product lines that can generate market income to supplement non-market sources of revenue. This school of thought also at least implicitly calls attention to the need for investment capital, as opposed to just operating revenue, for true nonprofit sustainability. Operating revenue is what sustains an organization in its current path. Investment capital, by contrast, is what allows it to grow and innovate by underwriting research, staff training, strategic planning, as well as facilities, equipment, and technology. But nonprofits have historically had limited access to investment capital and frequently lack a sufficient appreciation of the differences between these various revenue streams.

**Financial sustainability as more than revenue-generation.** A fourth take on nonprofit financial sustainability, and one that found considerable resonance in our interviews, holds that financial sustainability is too closely integrated with other facets of organizational operations to be considered on its own. As the website of one sustainability capacity-building organization put it: “Nonprofit sustainability is not about writing a better grant or finding that one product or service for which you can charge a fee. It’s about delivering outcomes that people value.”\textsuperscript{22} The workbook, *Building Financial Sustainability in Your Organisation*, developed by Foresters Community Finance, for example, thus views building financial sustainability as an integral part of the organization’s mission, social impact, structure, and long term strategic planning.\textsuperscript{23}

This view is firmly echoed by experts in the field. The CEO of Boston-based sustainability capacity-building firm New Profit, Vanessa Kirsch, thus cautions that “when one’s mission and revenue generating activities are not in line, organizations often have to make tough choices, and the mission often gets the second fiddle and they lose their credibility.”\textsuperscript{24} “Sustainability can break down due to factors that are not financial,” notes another. To correct for this, Community Wealth Partners, another sustainability capacity-building firm, urges its clients to focus also on other “drivers” of sustainability, which include business strategy, adaptability, and capacity to deliver, defined as talent, infrastructure, and organizational processes.\textsuperscript{25}

**Financial sustainability as cost-benefit calculus.** A final conception of nonprofit financial sustainability focuses more explicitly on a question posed sharply by one of our interviewees, who acknowledged that “some organizations can generate small amounts of revenues through earned income,” but then asked: “Is the effort required worthwhile when thinking about larger sustainability goals?”\textsuperscript{26} In other words, this conception focuses explicitly on the realization that sustainability has costs as well as benefits and that financial sustainability must involve a systematic balance between the two.

Various tools have been developed to assist nonprofit organizations in gauging these costs and benefits. Thus, Bell, Masoka, and Zimmerman have developed a tool they call the “Matrix Map,” which allows
organizations to map potential sustainability undertakings along two dimensions—profitability and impact. Other organizations have developed broader organizational capacity assessment tools.

Especially instructive for our purposes is the approach taken by The Bridgespan Group, a specialized nonprofit management assistance organization, which analyzes each of its nonprofit client’s programs against two measures: alignment with intended impact (e.g., how strong is the program’s mission fit?) and financial margin (e.g., does the program generate net income for the organization?). This yields a 2-by-2 matrix depicting how the entire organization’s programs perform across these dimensions. As reflected in Figure 2, the visual results are compelling and help direct the organization’s investment decisions, capacity-building efforts, and overall business planning about which programs might be kept, and which should be transitioned out of operation.

**Figure 2: Mission alignment vs. financial margin in sustainability planning**

![Mission alignment vs. financial margin in sustainability planning](image)

Source: Bridgespan Group, as published, with permission, in Tuan (2014), 229.

Considerable care is needed in measuring these various components of net income and alignment, however. A frequent theme in the market-income literature, for example, is that the payoff to market-income ventures can go well beyond the generation of actual financial profits, and this theme surfaced powerfully in our interviews as well. For example, Accountability Lab CEO Blair Glencorse noted that the “social impact tours” venture he has created, while far from earning a financial profit, nevertheless has yielded meaningful programmatic rewards for the projects that his social-impact tourists visit by giving them opportunities to practice and improve their messaging, receive feedback from new stakeholders, and boost their visibility.
Summary: Toward a Strategic Approach to Financial Sustainability for SAcc Organizations

Each of these conceptions of financial sustainability has its virtues, and each has implications for the financial sustainability of social accountability organizations. Taken together, these implications point us toward a strategic approach to financial sustainability for SAcc organizations. Fundamentally, such an approach embodies four key principles (see Box 3):

- **First, that sustainability options are in some sense field- and organization-specific.** This is a key implication flowing from the “sustainability-as-sufficiency” school of thought outlined above and is consistent with a point made repeatedly in our interviews to the effect that, despite the pressures for sustainability, securing significant, on-going support from donors—including international donors—is likely to remain a critical component of SAcc organization finances, particularly those in developing regions, for some time.

- **Second, that true financial sustainability nevertheless increasingly requires some meaningful diversification of funding sources and funding types.** This is a central message of the diversification and market-revenue conceptions of sustainability and it applies to SAcc organizations as well as to others. For better or worse, sole reliance on grant funding and external donors has significant risks and those risks may be expanding as the pool of funders of social accountability work remains limited or in decline and the need for such activity expands. Meaningful alternatives therefore demand attention, even for SAcc organizations for which such alternatives have long seemed beyond reach. And these alternatives are likely to require attention to “product development,” and not just new ways of raising contributed revenue.

- **Third, financial sustainability is about more than revenue generation. It requires the integration of financial thinking with other aspects of organizational strategy and design.** This reflects the fact, emphasized in both the “more than revenue generation” and “cost-benefit” conceptions of financial sustainability, that financial sustainability options have costs as well as benefits, and that these costs are not simply financial in nature. Systematic thinking and self-reflection are therefore required to balance the financial and non-financial benefits of any such option against other facets of organizational sustainability, such as those relating to mission, image, organizational capacity, and reputation. As the discussion in the introduction made clear, this is an especially important consideration for SAcc organizations given the special importance that organizational reputation plays in the effectiveness of their work.

Box 3

A Strategic Approach to Financial Sustainability for SAcc Organizations

Financial sustainability for SAcc organizations:

1) Is field-specific;

2) Requires diversification of types, and not just sources, of funds, including particularly market revenue;

3) Must balance benefits against costs, including costs to reputation and mission; and

4) Requires investment capital and not just operating income.
Finally, effective promotion of financial sustainability requires the ability to attract not only operating revenue, but also investment capital. This is a central implication of the “sustainability as product innovation” conception since product innovation often requires such capital. But it is one non-profits frequently overlook, and one particularly far from the consciousness of SAcc organizations, especially those in developing areas.
2. NEW WINDS

Whether and how developing-country SAcc organizations adopt such a strategic approach to financial sustainability will depend, of course, not only on them but also on the context within which they operate. Some elements of that context are situation-specific—the degree of openness of a political system, the level of development of a country’s economy, the extent of sectarian or other divisions within a society, and a host of other factors. Also important, however, will be a variety of more general contextual features. And fortunately, the context for nonprofit financial sustainability may be undergoing some significant changes at the present time, the product of some new winds that are blowing in the social finance arena and that are opening new opportunities for nonprofit financial sustainability in general, and SAcc organization sustainability in particular.

As reflected in Figure 3, these winds are carrying three fundamental messages into the operation of social-purpose organizations, including those in the social accountability field: first, that market-based income is available even in unexpected places; second, that new streams of investment capital are increasingly available to help finance the development of approaches for tapping such income; and third, that metrics have become increasingly important in accessing this capital and generating this income.

Figure 3: Tail winds potentially promoting SAcc organization financial sustainability

To catch these winds, however, SAcc organizations, like others in the sector, will need to adjust their sails appropriately and venture out on new seas. A first step toward doing so must naturally be to examine where these new winds are blowing, and it is to this task that we turn in this section. With this as background we can then take up in the next section some of the ways in which SAcc organizations might take advantage of the opportunities being opened.

Profit in the Strangest Places

One of the most significant developments in the financing of social purpose activities in recent years has been the reconceptualization that has occurred in explanations of the causes of social, economic, and environmental problems and how to overcome them. That reconceptualization was spearheaded by the
microfinance industry, brought to wide public attention by Nobel laureate Mohammed Yunus, and generalized by an economist named C.K. Prahalad.

The contribution of the microfinance industry that emerged in the 1970s was to turn prevailing conceptions of the causes of poverty on their head and demonstrate that the poor represent a resource rather than a liability—and a resource that can generate growth and wealth if approached in the right way. In the case of microfinance, this reconceptualization took the form of recognizing in groups of uneducated, poverty-stricken, rural women eager to improve their life-circumstances a resource in the form of peer pressure that could substitute for absent physical or financial collateral to secure small revolving loan funds. Through such funds, each of a number of women in a small group could, over time, establish some type of income-earning micro-entreprise that could propel them down the road toward economic self-sufficiency while enabling them to pay back the loan with interest.

This concept was subsequently lifted to take-off status by the international recognition provided by the work of Mohamed Yunus and his Grameen Bank, and significantly broadened by an influential book by a University of Michigan corporate-strategy professor by the name of C.K. Prahalad. What Prahalad argued in his 2004, boldly titled book, The Fortune at the Bottom of the Pyramid, is that the phenomenon that gave rise to the success of microcredit was not restricted to small-scale lending to groups of rural residents, but rather applied to a wide range of products and services needed by people living in even the direst of poverty, and that such products and services could be delivered to these people at prices well below what they were currently paying and still earn profits for their providers.31

This alchemy was possible, Prahalad showed, due to a “penalty” levied on bottom-of-the-pyramid (BOP) consumers as a result of the transaction costs and lack of competition in bottom-of-the-pyramid markets. By overcoming these constraints, clever “social entrepreneurs” could achieve win-win outcomes that reduce costs for BOP consumers while earning at least modest profits for themselves. Armed with this insight, social entrepreneurs have ventured forth to invent $3.00 glasses that have allowed millions of Indian youngsters to complete their schooling; low-cost solar panels that allow African farmers to drive refrigeration equipment and thereby market higher-value crops without fear of spoliation; and reusable sanitary napkins that allow young African women to stay in school past puberty.

The Revolution in Social-Purpose Finance

For such product innovation to take place, of course, investment capital is needed. Although such capital has long been limited in the social-purpose arena, a virtual revolution is now underway in the availability of investment capital for social-purpose activity. The heart of this revolution is a massive explosion in the tools of philanthropy and social investment, in the instruments and institutions being deployed to mobilize private investment resources in support of social and environmental objectives. Where earlier such support was limited to charitable grants and gifts made available directly by individuals or through charitable foundations or development assistance organizations, now a bewildering array of new instruments and institutions has surfaced in the social-purpose finance arena—loans, loan guarantees, private equity, barter arrangements, social stock exchanges, bonds, secondary markets, investment funds, and many more. (For a description of these and other instruments and actors now operating in the social-
purpose finance arena, see Appendix A). Indeed, the world of philanthropy seems to be experiencing a “Big Bang” similar in kind, if not in exact form, to the one thought to have produced the planets and stars of our universe. Even a quick glance at the emerging landscape on the frontiers of contemporary philanthropy around the world yields a rich harvest of unfamiliar names and terms, as reflected in Figure 4.

**Figure 4:** Philanthropy’s “Big Bang”

![Diagram of Philanthropy’s “Big Bang”]


Behind this enormous proliferation of entities and tools lie four important processes of change. In particular, contemporary philanthropy is moving:

- **Beyond grants:** deploying a variety of new financial tools for promoting social purposes—loans, loan guarantees, equity-type investments, securitization, fixed-income instruments, and, most recently, social impact bonds.

- **Beyond foundations and nonprofits:** creating a host of new actors on both the supply and demand sides of the new social-capital market—capital aggregators, secondary markets, social stock exchanges, social enterprise brokers, online portals, to name just a few of the entities on the supply side; and social ventures, social cooperatives, community interest companies, limited profit companies and other hybrid forms on the demand side.

- **Beyond bequests:** forming charitable or social purpose capital pools not simply through the gifts of wealthy individuals, but also from the privatization of formerly public or quasi-public
assets or the establishment of specialized social purpose investment funds.

- **Beyond cash**: utilizing new barter arrangements and internet capabilities to facilitate the giving not just of money, but of a variety of in-kind forms of assistance, whether it be volunteer time or computer hardware and software.

At work in these developments is a common imperative, usefully summarized in a single word: leverage.

Leverage is the mechanism that allows limited energy to be translated into greater power. It is what allowed Archimedes to claim that, given a lever and a place to stand, he could “move the whole world.”

In the philanthropic context it means finding a way to go beyond the limited flow of charitable resources generated by the earnings on foundation assets or the annual contributions of individuals to catalyze for social and environmental purposes some portion of the far more enormous private investment assets resident in banks, pension funds, insurance companies, mutual funds, and the accounts of high net-worth individuals.

The upshot is the emergence of a veritable new social purpose finance ecosystem embracing a wide variety of new actors and an assortment of new tools with which they are operating. As noted in Figure 5, the new actors fall into three groups: first, new types of financial investment institutions with names such as capital aggregators, social secondary markets, social stock exchanges, quasi-public investment funds, and a special set of foundations functioning as “philanthropic banks;” second, a variety of providers of support functions to these new social-impact financial institutions, including enterprise brokers, new types of capacity builders, and a variety of supportive infrastructure organizations; and finally, a variety of new types of grant-making institutions, such as corporate-originated charitable funds, conversion foundations, online portals and exchanges, and funding collaboratives.

**Figure 5**: Actors and tools on the new frontiers of philanthropy

These actors now have available a much wider array of tools with which to pursue social and environmental objectives. Many of these are hardly new to the world of finance, but their migration into the field of social-purpose investment is a fairly recent development, at least at the scale and diversity that is now apparent.

**The Metrics Revolution**

A third powerful idea being propelled into the world of social purpose activity in both its governmental and nonprofit venues is the idea of evidence-based decision-making and its accompanying demand for greater accountability and better metrics with which to measure progress on enduring problems. Despite disappointments over the consequences of earlier government performance measurement systems, such as the U.K.’s 1982 Financial Management Initiative (FMI), its subsequent Next Step program (1988), and the corresponding Government Performance and Results Act (GPRA) of 1993 in the United States, the demand for greater performance measurement has continued to grow. A 2010 U.K. “act to increase the financial accountability of organizations in the broader public sector” is a case in point, illustrating what one recent article termed “the widening scope and increasing depth of accountability requirements and reporting for government agencies.”

Nor is this metrics emphasis limited to the developed West. The metrics and accountability gospels are crucial articles of faith among advocates of the New Public Management, and this strain of modern public management theory has penetrated many of the national and multinational aid agencies, leading to similar accountability and metrics pressures on developing and transitional countries as well. Perhaps reflecting this, a recent Google search for materials on the topic of government accountability yielded 88.2 million entries in 46 seconds.

Nonprofit organizations, too, have been caught up in this metrics revolution. The drive to “manage to outcomes” has now made the jump not only from business to government but also from government to the nonprofit sector. Foundation leaders like Paul Brest of the Hewlett Foundation and venture philanthropists like Mario Morino in the United States have made it their missions to promote this measurement culture in the social-purpose arena. It should come as no surprise, therefore, that the Rockefeller Foundation’s effort to create a new social-purpose investment industry fusing private investment management with philanthropy should have as one of its initial signature products the creation of a massive taxonomy called the Impact Reporting and Investment Standards (IRIS) to provide a framework for comparative measurement of the results of private social-purpose investments.

**Summary and Implications for SAcc Organizations**

At first glance it may appear that these developments hold little promise for SAcc organizations. These organizations do not, after all, produce products like low-cost glasses or solar panels. What is more, they have little use for physical plants and equipment and therefore little experience accessing investment capital.

But a moment’s reflection should make clear that a set of changes that put a premium on measurement, metrics, and accountability can open important opportunities for organizations whose stock in trade is information and whose skill-set often includes the assessment of government performance. What might
those opportunities be and how can SAcc organizations go about taking advantage of them? It is to these questions that we turn in the next section.
3. FIVE STRATEGIES FOR SA ORGANIZATION SUSTAINABILITY

The discussion thus far has highlighted five critical points that shape the context for thinking about the financial sustainability options for SAcc organizations:

- **First**: A number of the larger SAcc organizations have fairly successfully managed to locate grant support for their activities from a number of mostly international sources, both public and private, and are likely to continue to rely extensively on such sources for the foreseeable future.

- **Second**: Over time, sole reliance on such sources is likely to prove risky and insufficient, even for the larger organizations, making it necessary for SAcc organizations to diversify the types of sources on which they depend, and these pressures are even greater on the small organizations. The sooner organizations come to terms with this reality, the more likely they are to achieve reliable sustainability.

- **Third**: One especially important such alternative source is market revenue, i.e., revenue from the “sale” of some product or service. Important developments in the field of social-purpose finance have usefully broadened the range of such products and services for which markets can be found, as well as the range of potential “customers” able to enter these markets when the conditions are right, and imaginative social entrepreneurs have been busily taking advantage of both trends.

- **Fourth**: Important new sources of investment capital have become available in the social-purpose arena to finance the development and launch of such new products and services.

- **Fifth**: An increasingly important driver of decisions in the social-purpose arena is reliable data and information. As organizations in the “information business,” SAcc organizations should be in a position to benefit from these overall trends, but only if they are sufficiently inventive and not overly risk-averse.

But what concrete financial sustainability options might SAcc organizations pursue in light of these five points? Unlike some accounts, which focus on long laundry-lists of types or sources of revenue, our approach to answering this question is to identify a limited set of basic strategies, each of which can engage an array of players and involve a variety of types of transactions. In particular, as noted in Table 2, we have identified five such strategies that hold significant promise of contributing to SAcc organization financial sustainability. For each, Table 2 provides an overview of what the strategy entails, identifies the “market” for the activity, and offers a tentative judgment about the relative financial benefits and costs of the strategy and its consistency with the organization’s basic mission. In the discussion below we first provide a
succinct overview of the concept behind each strategy, outline how SAcc organizations might go about implementing the strategy, and then provide a brief assessment of the relative costs and benefits of the strategy, including its implications for SAcc organization missions. Also included where available are vignettes offering examples either of SAcc organizations, or of other non-profit organizations, that are using the strategy.

Because SAcc organizations as a group have already made headway on the generation of grant-based support, our focus, as Table 2 suggests, is on alternatives to such support. What is more, in line with some of the new winds identified earlier and with the stress on “product development” instead of fund-raising development in our discussion of alternative schools of sustainability theorizing, our focus is on alternatives that involve a significant “product development” component. Consistent with our endorsement of a strategic approach to financial accountability for SAcc organizations, however, we begin with a more basic strategy without which the others are likely to fail, especially in the case of SAcc organizations.

Table 2: Five promising financial sustainability strategies for social accountability organizations

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>PRODUCTS</th>
<th>POTENTIAL MARKET</th>
<th>LIKELY RETURN</th>
<th>LIKELY COST</th>
<th>ALIGNMENT WITH MISSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Building the brand</td>
<td>• Organizational reputation for objectivity, reliability</td>
<td>International donors</td>
<td>High</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>2. Selling social accountability</td>
<td>• Client satisfaction surveys</td>
<td>Government agencies</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>• Agency performance measures</td>
<td>Agencies</td>
<td>Moderate</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>• Assessments of governmental functions important to business</td>
<td>Businesses</td>
<td>Low</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>• Memberships/info services</td>
<td>Citizens</td>
<td>Low</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>3. Selling by-products of social accountability</td>
<td>• Guides to locations of government offices</td>
<td>Businesses</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>• Listings of pending tenders</td>
<td>Citizens</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>• “How do I get x?” brochures</td>
<td>CSOs</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
</tr>
<tr>
<td>4. Selling government savings (social impact bonds)</td>
<td>• Reduced smoking</td>
<td>Investors + governments</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td>• Reduced teen pregnancy</td>
<td>Governments</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>• Reduced population growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Securing/managing assets</td>
<td>• Long-term endowment assets</td>
<td>Foreign investors</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>• New charitable institutions</td>
<td>Governments</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>
Strategy I: Building the Brand

Overview of the concept. A central theme running through our interviews was the special importance for a SAcc organization of “building a brand” as an effective, credible organization. This likely reflects the significant reliance of SAcc organizations on external funders with a commitment to the social accountability mission. Organizations as diverse as Transparency International, the South African Institute of Race Relations, the UK’s MySociety, the tribal peoples’ rights organization Survival, the Public Accountability Initiative, and investigative journalism organization ProPublica all report having built strong relationships with institutional and individual donors that provide important core support. To achieve this, interviewees stressed the importance of demonstrating that the organization can produce results, communicate its successes to potential stakeholders, and ensure donors feel vested in the organization (See Boxes 4 and 5).

How to go about it. To build the brand, interviewees stressed the importance of engaging in several specific practices:

1) Setting and then realizing concrete, organizational goals;

2) Communicating organizational accomplishments through multiple channels to all potential stakeholders;

3) Providing donors and stakeholders meaningful opportunities to participate in the organization; and

4) Developing relationships with other organizations.

Box 4

Transparency International

Transparency International, one of the most widely known organizations in the social accountability field, is almost completely funded by gifts from institutional donors. According to the organization’s Funding Coordinator, Transparency does not have a defined financial sustainability strategy, but instead focuses on achieving its goals, which has helped it develop a unique "niche" in the field and the reputation of having strong integrity. Moreover, the organization tries to involve its donors in major decisions (e.g., the development of broad organizational strategies), which helps enhance their understanding of, and commitment to, Transparency’s work. As this official put it: “We can secure support from institutions and donors because of our integrity, reputation, and donor engagement.”


Box 5

Kenya Community Development Foundation

While still on the path to financial sustainability, Kenya Community Development Foundation (KCDF) has learned that there is a strong connection between what people think of the organization and their desire to support it financially. The organization therefore devotes significant attention to disseminating information about its programs through a variety of channels, which include a magazine, annual reports, a blog, a newsletter, videos, and a comprehensive website.

Source: Personal interview, Janet Mawiyoo, CEO, Kenya Community Development Foundation, April 7, 2014.
To have a good story to tell, of course, organizations need to attend to the mundane tasks of organizational development: building competent staff, recruiting engaged boards, effectively managing resources, and measuring results.

While such basic organizational processes may be prosaic and old hat to the purveyors of the new strategies of earned income generation, they turn out to be especially important to social accountability organizations as the foundations upon which these more creative sustainability options can build.

**Assessment.** As reflected in Table 2, “Building the Brand” ranks high as a strategy for promoting SAcc organization financial sustainability. This strategy can yield substantial revenue and is highly supportive of mission. But it is also costly in both staff time and financial resources. Grant funding comes with extensive and widely varying reporting requirements, significant search and transaction costs, and vulnerability to frequent shifts in donor priorities. On top of this, organizations must find ways to provide interim assurances of effectiveness, a significant challenge in the social accountability field since it is often difficult to prove authorship of significant changes in policy or subtle shifts in openness on the part of government officials.

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**Strategy II: Selling Social Accountability**

**Overview of the concept.** With their brands firmly developed and carefully sustained, and grant funding in place, SAcc organizations can venture into more exotic forms of sustainability funding. One of the most attractive of these is to find markets for its core social accountability services. While some locales may be off-limits for this approach, the recent surge of interest in evidence-based policy and demands for government accountability and performance measurement noted above suggest a significantly broadened market for this type of activity. And SAcc organizations with boots on the ground, solid reputations for objectivity, and knowledge of local conditions should be in a position to meet some of this demand and to be paid for it.

**How to go about it.** Broadly speaking, at least three "markets" for sales of social accountability services are potentially open to SAcc organizations: (i) governments; (ii) businesses; and (iii) citizens at large. The products, approaches, and case-statements for these different market segments may differ significantly, however, so SAcc organizations will need to tailor their marketing efforts differently for each. The discussion below offers some preliminary thoughts about some of the major differences in approach that might be needed.

**Marketing SAcc to governments.** Governments, paradoxically enough, are often the best potential customers for the kinds of services that nonprofits can provide. This has certainly been true for nonprofits providing a wide range of human services, from health and education to community development and worker training. The studies of successful organizational scaling cited earlier identified this as perhaps the dominant route to successful organizational growth and sustainability. Thus, an elaborate system of "third-party government" has evolved in the United States under which governments at all levels turn to nonprofit organizations in a wide assortment of fields to deliver various services financed by government. Nearly 40 percent of the almost $2 trillion in revenue that U.S. nonprofit service and expressive organizations receive comes from governmental sources as a
consequence. In Europe, this pattern is even more widespread. Despite the rhetoric of a European "welfare state," many parts of Europe have really created a "welfare partnership" in which governments rely on nonprofit organizations to deliver a substantial share of publicly funded services. As a result, governments account for anywhere from 50 to 70 percent of nonprofit revenues in such countries as the Netherlands, Belgium, Germany, and Ireland. While this pattern is far less evident in the developing world, such examples do exist, as reflected in Boxes 6 and 7.

Although social accountability organizations do not produce the tangible services that frequently trigger such fees for nonprofits elsewhere, the world-wide surge of interest in generating better information on government performance has created a significant demand for such information on the part of development agencies and all of those involved in the development process. Inevitably, this translates into pressures on government to generate such information, and to do so through arms-length procedures. The recent Arab Spring may have added to these pressures as the popular uprisings were motivated in important part by citizen anger at the poor quality of public services. Governments eager to avoid such protests may see the usefulness of tapping citizen satisfaction with various services. In addition, particular government agencies may find it useful to reach out to potential beneficiaries of its services in order to ensure their participation and hence improve the chances that the programs will accomplish their objectives, as the U.S. Internal Revenue Service found it necessary to do with the Earned Income Tax Credit aimed at workers in low-wage jobs (see Box 8). SAcc organizations could usefully put themselves in a position to help governments meet these various demands. The services offered could take a variety of forms:

- **Client satisfaction surveys** in various fields (e.g. schools, hospitals, procurement systems, tax administration, perceived business climate);
- **Program marketing** in various fields to make citizens aware of available programs; and/or

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**Box 6**

**YMCA of Lebanon**

When funding for a government program to provide free medication to chronically ill patients in Lebanon became scarce after the end of that country’s civil war, the YMCA of Lebanon negotiated with Lebanon’s Ministry of Public Health to take over the program and received funding of US$1.5 million a year to cover its costs. To do so effectively, however, it had to secure technical and financial assistance to generate an effective proposal and retain staff with experience in dealing with public finance.

Source: Holloway, 2001, 82.

**Box 7**

**Grupo de Emprendimientos Ambientales**

Peru’s Grupo de Emprendimientos Ambientales (Environmental Enterprise Group) found a way to support its environmental activities by creating a small laboratory and selling to government agencies its capacity to evaluate environmental impact studies and environmental management plans after the government began requiring such studies to be submitted to it.

Source: NESsT Case Study Series No. 24.
Community outreach services to engage citizens in public decision-making and thereby help create legitimacy and build support for the political process.

Steps that SAcc organizations might usefully take to access the government "market" for improved accountability might begin with a careful needs assessment followed by some careful program and product design and marketing, as outlined in Box 9.

### Box 8

**U.S. Internal Revenue Service and EITC**

Under pressure from anti-poverty groups over its failure to make eligible recipients aware of the new Earned Income Tax Credit, the U.S. Internal Revenue Agency enlisted a wide assortment of nonprofit organizations in an “IRS Partners” program to boost awareness of the program among eligible persons.


### Box 9

**Marketing Social Accountability to Government: Initial Steps**

*Begin with a needs assessment designed to accomplish three tasks:*

1. Identify existing efforts aiming to enforce or improve government accountability or determine client satisfaction;
2. Identify gaps and shortcomings of these programs and unmet needs for improved government accountability or information on client satisfaction; and
3. Identify major stakeholders who would benefit from the improved government services; government accountability.

*Subsequent steps might then include the following:*

a) Define which specific areas of government accountability the organization is in a position to address;
b) Identify which government agencies will benefit from the organization’s effort and what resources they can potentially provide to obtain this benefit;
c) Develop a line of products or services that can provide specific benefits sought by these agencies and that the organization is in a position to deliver; and/or

d) Develop a marketing strategy to “sell” the resulting products and services to the potential beneficiaries.

*Marketing social accountability to businesses.* Governments are not the only potential market for social accountability services and products. Businesses are also affected in different ways by government transparency and accountability. Indeed, there is a long list of major areas in which government transparency and accountability can have a significant impact on business “bottom lines,” creating a potential market for accountability services that can improve operations. Included here are the following:

- Contract laws and enforcement;
- Labor relations laws and enforcement;
The fairness and predictability of the tax system.

*Information availability for business planning* (e.g., reliable data on employment trends, GDP, economic forecasting, etc.);

Public safety.

Organizations interested in exploring business interest in social accountability and transparency services might begin by undertaking some kind of market survey focused on questions of the sort identified in Box 10. From there it should be possible to settle on a range of possible “products” and a marketing plan to bring these to the attention of relevant businesses or business associations.

**Box 10**

**Marketing Social Accountability Services to Businesses: Key Steps**

Steps that could usefully aid SA organizations in investigating possible sales of social accountability to businesses could involve seeking systematic answers to such questions as the following:

- What businesses are affected by the deficiencies in accountability and transparency that the SA organization has detected in the specific functional areas of government operations affecting businesses?

- What kind of businesses are they? Where are they located? What is their size and organizational structure?

- Who are the leaders of these businesses?

- How are these businesses connected? Do they have business associations? Do they interact with each other in an informal way?

- What government products or services do these businesses currently use? What are deficiencies in these products or services?

- How can these deficiencies be improved?

- What tangible benefits to these businesses will result from these improvements?

**Marketing to citizens.** A third potential “market” for social accountability services are the citizens of a country. As Box 5 above suggests, even in places with high rates of poverty, organizations can overcome the “free rider” problems discussed earlier and convince citizens to make modest contributions to support social accountability activity. Although such contributions may not make a significant dent on organization finances by themselves, they can contribute to organizational missions by demonstrating popular support and engagement, which helps to boost organizational influence and indirectly generate income by demonstrating to donors that the organization has roots in the community. Membership can also be empowering for citizens, creating a sense of involvement and engagement in community affairs.
In areas where substantial middle class populations are emerging, such as the BRIC countries, moreover, citizen resentment over inadequate public services can provide a more solid basis for generating substantial income from membership dues, as the example of Greenpeace in Box 11 suggests.

Recruiting and retaining members is a significant task, however, and should be approached with a “campaigning mentality.” What is more, members will expect to “get something” for their membership contributions, even if it is a card, access to a regular email or newsletter, or information about government programs of particular interest to them.

**Assessment.** The various “markets” for social accountability services may differ significantly in their advantages and disadvantages for SAcc organizations. What is more, these differences may vary over time and from place to place. As a general rule, selling social accountability services to governments is likely to yield the biggest financial payoff given the relative scale of government purchases, but it may also bring with it the biggest drawbacks in terms of reputational risk and loss of independence. At the same time, it is easy to exaggerate these concerns. In the first place, side by side with the so-called “resource dependence theory,” which holds that providers of resources inevitably control results, there is a substantial body of economic theory known as “principal agent theory,” which observes that principals in principal-agent relationships often lack the information they need to control their agents because acquiring such information has costs and principals can rarely afford to pay for all the information they would need in order to have perfect control over what their agents are doing. In addition, governments are rarely monoliths so it is often possible to achieve diversification of funding sources while still relying chiefly on “government.”

A substantial body of research seems to support this alternative line of argument, moreover. Chaves, Stephens, and Galaskiewicz found that the relationship between government funding and nonprofit political activity is either positive or null in the United States; government funding does not suppress nonprofit political activity. Salamon and Geller found that receipt of government funding was actually positively associated with advocacy involvement on the part of nonprofit human service, arts, and community development organizations. Leech found that lobbying activities of organizations receiving federal grants and contracts is no different than that of similar organizations that do not receive such benefits. Vanderwoerd examined whether government funding influences the religious characteristics of faith-based social service organizations and found that faith traditions and values were alive and widely evident throughout the organizations receiving government funding.

Whether these findings, which were largely generated in developed democratic societies, will apply in less favorable political settings is an open question, but some of the operative dynamics will be similar. At the very least, SAcc organizations may have more leeway to explore this strategy than they may believe,
particularly in view of the pressures that even authoritarian governments may be under following the Arab Spring uprisings.

So far as the other two “markets” for social accountability services, the picture is equally mixed, though still fairly promising. Business clients for social accountability services may be substantial and worth pursuing, but will be overly costly if approached in a retail fashion. The most promising strategy will therefore likely be to approach business or professional associations or chambers of commerce rather than individual business people. With regard to marketing to citizens, the direct financial proceeds from this route are likely to be limited in many developing settings, but the rewards in terms of reputation and credibility can be substantial. This route may therefore be conceived less as a direct financial sustainability strategy than a broader organizational sustainability strategy that may help endear the organization with key external funders.

**Strategy III: Selling Byproducts of Social Accountability**

**Overview of the concept.** As noted earlier, a substantial body of research seems to show that unlike for-profit firms, which focus on product innovations as their primary engine for achieving financial sustainability, nonprofits tend to focus on innovative fund-raising strategies. Yet the identification of byproducts of mission-related activities provides a fruitful area of sustainability exploration for nonprofit organizations.

A "by-product" here is an activity, product, or service that the organization can easily produce because of its core social accountability functions, but that goes well beyond those functions. A nonprofit that works to rehabilitate drug addicts or former prison inmates by creating a catering business and secures a contract to provide meals to a school district would represent one example.

Numerous nonprofit organizations in other fields have certainly begun exploring this type of product innovation (see Box 12 for some examples from developing or transition areas). The great advantage of this approach as a potential area to explore is that nonprofits often enjoy a comparative advantage in such mission-related fields compared to what confronts them when they venture into non-mission-related commercial activities.

**How to go about it.** By virtue of their access to information on government programs and activities and their credibility and contact with citizens, SAcc organizations have a number of assets that could be put to use in generating revenue from byproducts of their core social accountability work, particularly since countries are often less than pro-active in making the information it generates available to citizens. In the U.S., for example, for-profit firms often re-issue government reports (e.g., the annual editions of the *Statistical Abstract of the United States*) and distribute them through commercial channels because access to these materials through governmental channels has long been cumbersome and obscure.

The options here are legion and individual organizations or coalitions of organizations could brainstorm about which products might find ready markets in their countries. Potential targets for these materials could
be businesses, foreign visitors, travel book publishers, and regular citizens. Some illustrative options particularly suited to the missions of SAcc organizations include the following:

- **Tapping and selling government economic data for use by others** (e.g., foundations, multi-lateral development agencies, businesses in particular fields);
- **Publishing and marketing selected government economic reports**;
- **Publicizing the availability of pending government tenders** through a subscription-based website;
- **Creating a series of "How Do I X?" brochures.** Topics could cover topics such as: "How do I get a driver’s license?" "How do I register a CSO?" "How do I register a business?" "How do I sign up for health insurance?" "How do I make an international call?"
- **Providing regular updates on the location and hours of key facilities of interest to tourists, tour companies, and tour book publishers** (e.g., tourist sites, hospitals, clinics, passport offices, embassies, etc.). Coalitions of SAcc organizations from different countries could form consortia to do this regularly for particular tour book publishers (e.g., Lonely Planet).
- **Creating one or more directories of government agencies and facilities in particular fields** (e.g., hospitals, clinics, schools, fire departments) and regions, with addresses and contact information.

Box 13 outlines some steps that could be taken to identify promising information resources that various constituencies might consider useful and worth paying for.

**Assessment.** Unless an organization locates an exceptionally rich vein of information for which there is widespread interest, the pay-off from this strategy is likely to be moderate at best. In addition, work on this strategy is likely to absorb considerable staff and management time, at least compared to the work involved in selling core services. Nevertheless, where targets of opportunity present themselves in the form of
materials that citizens or businesses need that no one is supplying, SAcc organizations should be ready to take the plunge on them. If the products prove popular, they can help boost the visibility of the sponsoring organizations and this can carry over into their SAcc activity.

**Strategy IV: Selling Government Savings**

**Overview of the concept.** In addition to selling services to governments and others, social accountability organizations are often in a position to take actions that increase government revenues or save governments money, for example, by taking or encouraging preventative behaviors that reduce government program expenditures (e.g., by reducing recidivism by first-time offenders, discouraging habits that end up increasing the cost of government-funded health care, or reducing the incidence of corruption). For example, the African Union estimates that upwards of 25 percent of Africa’s GDP is lost due to corruption.

Because of their credibility with citizens, SAcc organizations may be in a position to undertake a variety of activities that could result in such savings to governments, such as:

- **Launching public outreach campaigns to alleviate health or social problems** that would otherwise prove costly for governments to address (e.g., anti-smoking campaigns, birth control campaigns to reduce teen pregnancy or lower overall birth rates, campaigns to encourage young girls to stay in school).

- **Improving tax collection or reducing corruption by sponsoring community integrity campaigns.** In a new report called The Fix Rate, for example, Integrity Action argues that "If 1 percent of a large project's costs were invested in community integrity building, and if that investment had the result of reducing the loss rate caused by waste, corruption and mismanagement by even 4 percent, this would represent a three-fold return on investment, making this approach in principle self-funding."  

- **Assisting in marketing useful innovations**—e.g., micro-insurance, which can provide protection against health care costs, losses from auto accidents, or drought or storm damage to crops, all of which can be provided at extremely low cost if enough people subscribe.

- **Mobilizing citizens or businesses to help document waste or corruption in government contracting or in other government dealings with citizens and businesses.** The "I paid a bribe" website described in Box 14 provides one example of how this can be done.
How to go about it: social impact bond financing. The challenge with this strategy may not lie principally in the development of promising cost-saving innovations. The real challenge comes in figuring how to finance them since the political pressures on government budgets typically make it almost impossible for governments to finance such preventative measures. This is so even though these measures can end up saving government far more than it costs to finance them. However, an innovative funding mechanism called "Social Impact Bonds" (SIBs) has recently surfaced to get around this dilemma. SIBs do so by monetizing the future savings to government from promising preventive actions and using them, or at least the promise of them, to attract private investors willing to finance the activities up front in return for a guaranteed share of the savings once evidence of success begins to be demonstrated. Governments thus get the benefit of the savings but do not have to pay for the interventions that produced them after the savings begin to flow.

Fortunately, a number of consulting groups have been formed with expertise in helping to structure such social impact bond financing schemes. Included here are Third Sector Capital in the U.S. and Social Finance in the UK but other social venture consulting groups are gaining expertise in this technique (see Box 15).

Although the social impact bond mechanism has been used to date mostly to finance direct service programs, the discussion above suggests that SAcc organizations may be in a position to generate cost-saving initiatives themselves through public information campaigns that grow out of traditional SAcc organization programming. SAcc organizations could thus work with governments and outside consultants to develop and finance such campaigns. Box 16 suggests some of the steps that would likely be involved.
Box 16

Steps for Financing SAcc-Related Savings to Government Using Social Impact Bonds

a) Identify a promising intervention that promises to reduce government costs or increase its revenues (e.g., reduction of corruption, anti-smoking campaign that reduces health costs, improved tax collection).

b) Create a "business plan" for the intervention that calculates the cost of the intervention, the savings likely to result, and the metrics for demonstrating that the intervention is "working." (Several consulting firms have emerged to assist with such business plan development—see Box 15).

c) Identify, with help from a consultant, possible investors willing to cover the up-front costs of the intervention.

d) Contact the responsible government agency to reach an agreement for repaying the investors with interest on a sliding scale related to the success of the intervention.

e) Determine the structure of the program, including any subcontracts or partners, and the design of the evaluation to document level of success.

f) For more detail on the mechanics of SIBs, see Salamon (2014), Chapter 16.

Strategy V: Securing Assets to Manage

Nonprofits in some fields have also branched out into a range of non-mission-related activities in order to generate commercial income. However, this strategy is difficult to implement successfully because CSOs have no particular comparative advantage in such fields. This strategy for sustainability is thus not recommended.

However, there is one non-mission-related type of activity that may offer some possibilities. This is the business of property management or asset management. As reflected in Box 17, a wide variety of nonprofit organizations have come into ownership of buildings or other pools of assets that can generate income in the form of interest, dividends on investments, or rents. In some cases, moreover, the property in question can play the dual role of being supportive of the organization’s mission. Thus, for example, KRC Uganda has a radio station and communications center that it uses to broadcast information to its target community in line with its mission, but it also leases the facilities out to others as a way to generate income.

Box 17

Nonprofits Generating Income from Asset Management

The Uganda Foundation for Human Rights rents out portions of a building it owns and uses the proceeds to cover its administrative costs.

The Zambia Red Cross derives 87 percent of its income from rentals of a building it owns and manages.

Bangladesh’s Proshika encountered stiff competition in trying to run a bus company to generate self-earned income, so turned instead to rental income from an office building it owns.

The sources of the assets potentially coming under the control of nonprofits can be quite diverse. As reflected in Box 18, one of the more promising of such sources, however, appears to be the process of privatization, leading to a phenomenon that a recent study identified as *Philanthropication through Privatization*, or PtP.

PtP is the establishment of charitable endowments out of one or another of several forms of privatization transactions. As documented in the first systematic study of the PtP phenomenon, the privatization transactions that can transfer substantial shares of state-owned or state-controlled assets into charitable endowments can take a variety of forms depending on whether the source of the proceeds is:

(i) The sale of state-owned enterprises;
(ii) The direct transfer of state property (e.g., buildings, land) into the hands of charitable endowments;
(iii) Royalties or fees from state-controlled resources (e.g., lotteries, mineral rights payments, air rights auctions);
(iv) Debt swaps; or
(v) The conversion of a nonprofit into a for-profit corporation.\(^{47}\)

Using this definition, this study documented nearly 550 foundations that have resulted from, or been enhanced through, one or another of these PtP transactions (see Appendix B). Included here are some of the largest and most prestigious foundations in the world, such as the US$3.2 billion Volkswagen Foundation in Germany, the US$13 billion Cariplo Foundation and its 87 sister institutions in Italy, the US$1 billion ASB Community Trust and accompanying twelve community trusts in New Zealand, the King Baudouin Foundation in Belgium, the US$3.5 billion California Endowment, and the nearly 200 additional "conversion foundations" in the U.S. Taken together, these foundations hold nearly US$135 billion (€102 billion) in charitable assets traceable to these PtP-type transactions. This is over three times more than the world’s largest foundation, the Bill and Melinda Gates Foundation, and 13 times larger than America’s second largest foundation, the Ford Foundation. These transactions can thus yield substantial assets that can contribute to the long-term sustainability of civil society organizations and free these organizations from total dependence on outside sources.

Box 18

**Assets Acquired by Charitable Institutions thru PtP Transactions**

*The Environmental Foundation of Jamaica* manages a US$405 million endowment, which it received as a by-product of a debt forgiveness.

*The German Environmental Foundation* received US$3.5 billion from the sale of the German Government’s Saltzgitter steel complex.

*The King Baudouin Foundation* covers 30 percent of its grant budget from proceeds from the Belgian state lottery and uses part of this to finance philanthropy and democracy promotion.

*The Italian foundations of banking origin* received 100 percent of the shares from the conversion of Italy’s quasi-public trustee savings banks into joint stock companies.

Sources: *Lester M. Salamon, Philanthropication thru Privatization (2014)*; and *Fox and Schearer, Sustaining Civil Society (1997).*
Many types of such privatization transactions are anticipated or under way in countries where embryonic social accountability CSOs are struggling to gain traction and survive. With their knowledge of governmental procedures and focus on governmental developments, SAcc organizations could potentially monitor privatization activity on behalf of the civil society sector and make sure that the PtP option is considered as countries pursue privatization transactions. In the process, they could help ensure that any such foundations that emerge include support of social accountability activities as one of their priority areas of support. Steps that SAcc organizations could take in support of such outcomes are outlined in Box 19.

**Box 19**

*Steps that SAcc Organizations Can Take to Promote Sustainability via Philanthropication thru Privatization*

a) Examine and monitor government planned or current privatization activity, including the sale of state-owned enterprises or facilities (e.g. ports, airports, post offices); negotiations over debt swaps; mineral rights or air rights sales; or transformations of quasi-public assets (e.g. nonprofits) into profit status;

b) Organize a PtP planning committee among local civil society organizations and develop a plan for the potential use of PtP resources and structure of potential PtP institution;

c) Contact the government units responsible for privatization or mineral rights, point out the win-win possibilities of the PtP option, and seek the opportunity to take part in privatization discussions;

d) Point out the win-win possibilities of PtP to potential businesses with an interest in the asset to be privatized; and

e) Inform the press of the PtP discussions and secure support to monitor the development of the privatization process.
4. GETTING FROM HERE TO THERE: Toward a SAcc Organization Sustainability Initiative

Clearly, SAcc organizations in developing settings are not likely to be in a position to move from their current almost-sole reliance on grant funding from external sources to meaningful levels of commercial or quasi-commercial funding overnight. But the transition is also not likely to make much headway if SAcc organizations are left entirely on their own to develop these strategies and figure out how to implement them. The tasks of keeping their organizations afloat and pursuing their central missions are likely to absorb more than the full-time energies of hard-pressed SAcc organization managers in most of these settings. To gain traction on the sustainability tasks, therefore, will likely require some help.

Elaborating on the forms such help should take would likely push us well beyond the scope of the present report. Nevertheless it is possible here to outline some of the principal directions in which such assistance could usefully more. In particular, five concrete sets of steps seem especially important to pursue. Included here are the following:

- **First, create a “learning community”** among SAcc organizations to initiate a focused discussion about the need for sustainability planning and about the potential avenues of effective sustainability action; to stimulate a set of pilot applications of promising sustainability strategies; and to monitor the progress of these pilot efforts. The present report could provide one take-off point for such discussions along with some or all of the materials identified in the attached bibliography.

- **Second, create a SAcc organization financial sustainability financing facility** to allow SAcc organizations to finance promising sustainability projects. As noted earlier, sustainability initiatives cannot be financed out of operating revenues. Rather, they require investment capital to develop promising ideas, to carry out market research, to formulate business plans, to attract managerial personnel, and to market and begin to deliver the product or service.

- **Third, foster a set of sustainability technical advisors** especially equipped to understand the special challenges and the special opportunities facing SAcc organizations in achieving financial sustainability. This may require special training of existing sustainability advisors to equip them to be maximally effective in this SAcc arena.

- **Fourth, train SAcc organization leadership and staff** to implement various sustainability strategies in their particular settings. Such training will increase the confidence that SAcc personnel and leadership will have in implementing various strategies. The pilot project material discussed above as well as other case study materials can be brought to bear in this training.
• **Fifth, conduct workshops** to broaden the circle of SAcc organization personnel aware of the options for SAcc organization financial sustainability and to stimulate broader applications and peer sharing of experiences.
CONCLUSION

Like other parts of the nonprofit sector, social accountability organizations operating in developing and transitional regions are under increasing pressure to reduce their dependence on international grant assistance and build indigenous sources of support. Due to the public goods character of their core services and their special role as watchdogs of both the state and the business sector, however, these organizations face special challenges in moving in this direction. Nevertheless, new winds are blowing in the social-purpose finance arena, and these winds hold important promise for the sustainability of SAcc organizations in particular. This is due to the stress these winds are placing on metrics and accountability for governments and nonprofits alike, their uncovering of commercial opportunities even at the bottom of the pyramid, and their fostering of a host of new actors and new tools for bringing new financial resources into social-purpose support.

To take advantage of these new winds, SAcc organizations need a strategic approach to sustainability, one that takes account of the costs as well as the benefits of sustainability options, and that explicitly recognizes that one of the most important of those costs to avoid is any infringement on SAcc organization core missions and brands.

There may be no “silver bullet” for nonprofit sustainability for such organizations and sustainability may be a journey for them, and a long one at that. But there is a pathway to SAcc organization sustainability in such settings and the sooner these organizations and those who support them set out on it, the sooner real progress will be visible. If this report helps to illuminate this pathway, to encourage at least some intrepid travelers to set out on it, and to stimulate a flow of capital to support these efforts, it will have served its purpose well.
APPENDIX A: Glossary of Financial Instruments and Institutions Newly Operating in the Social Purpose Arena

**Note:** This glossary of financial instruments and institutions is intended to acquaint SAcc organizations with terminology increasingly being utilized in the social-purpose finance arena globally. Not all the terms have been used in this report, but organizations will still find this list helpful if they begin to explore the new actors and tools providing capital for social-purpose activities.

**Bonds:** Bonds are a type of fixed-income, debt instrument, usually issued in large amounts and under demanding rating procedures, in which the borrower enters into a contract with a group of lenders to repay principal on a specific maturity date, and to pay interest, known as the coupon, at fixed intervals.

**Capital stacks:** Also known as structured financing pools, capital stacks pool different layers, or “tranches,” of investment capital, each with its own risk-return characteristics, and therefore each with its own potential class of investors.

**Conversion foundations:** Charitable foundations formed out of the process of privatizing some public or quasi-public asset, such as a government-owned enterprise, a government-owned building or other property, specialized streams of revenue under government control (e.g. lotteries), or the conversion of a nonprofit into a for-profit company.

**Convertible note:** A debt instrument that can be converted into equity at a later date.

**Corporate-originated charitable fund:** A public charity established by a mutual fund company or financial services firm through which donors can manage, invest, and make distributions from charitable funds or accounts that they set up within the charity, usually utilizing the vehicle of a “donor advised fund.”

**Credit enhancement:** Any of a number of special inducements, such as guarantees, collateral, or reserve funds, added to loans in order to attract lenders into what are perceived as otherwise risky investments or to achieve a more attractive interest or return rate than investors would otherwise offer.

**Debt:** Any of a number of forms of investment, such as loans, bonds, or mortgages, that convey to investors a claim on repayment of both the original “principal” amount of the investment plus “interest,” i.e., a percentage of the original investment, either over time or at an agreed-upon time in the future (the maturity date).

**Donor-advised funds:** Pools of charitable resources that donors deposit for management in community foundations, corporate-originated charitable funds, or other nonprofit institutions, for which the donors receive the full value of their charitable deduction at the time of deposit and out of which they make charitable contributions to eligible nonprofit organizations over a period of years.
**Equity investment**: An investment tool through which an investor buys an ownership stake in a company and thereby secures a “share” in any dividends or capital gains that the business might generate.

**Initial public offering (IPO)**: The initial sale of stock in a company to be registered and listed for sale to the public on a regulated stock exchange.

**Investment capital**: Revenue that fundamentally goes to build long-term organizational capacity and capabilities through the purchase of such things as equipment, facilities, skills, and strategic planning that are expected to serve the organization over the longer haul.

**Liquidity**: Funds available for deployment or investment.

**Maturity**: The date on which a loan must be repaid.

**Preferred stock**: Equity shares that entitle their owners to a stronger vote in company affairs (via protective provisions and consent rights on important business decisions), higher potential dividend payments, and greater rights to company assets than common stock owners in case of liquidation.

**Price discovery**: Information as to the price at which the market values a financial instrument.

**Principal**: The amount borrowed through a loan.

**Private equity**: An equity investment that is made without the benefit of listing on a registered public exchange.

**Public equity**: An equity investment that is made through a registered public stock exchange.

**Rated securities**: Bonds that are rated as credit-worthy by one of the quasi-official bond rating agencies, such as Standard and Poor’s, and are therefore made eligible for purchase by pension funds, insurance companies, and other investors.

**Secondary market**: A financial institution that raises capital through the issuance of bonds and uses it to purchase the loans originated by primary lenders, refreshing the capital available to these lenders so they can make additional loans.

**Secured debt**: Debt that is backed by some asset that the lender can seize if a loan is not repaid.

**Securitization**: A financial process that involves assembling bundles of loans (e.g. mortgage loans, car loans) into packages and using them as collateral against which to issue bonds sold to investors on the capital markets, with the proceeds of the bond sales going to pay for the purchase of the bundles of loans, thus refreshing the capital of the loan originators and allowing them to make additional loans.
**Senior debt/loan:** A loan or other debt that has a first call on payment or assets in the event a borrower is unable to pay its debt obligations.

**Social stock exchanges:** Regulated trading platforms through which dispersed social-purpose investors can locate and invest in social-purpose enterprises in which they are interested and through which social-purpose enterprises can secure capital they need to expand and grow.

**Subordinated debt/loan:** A loan or other debt that is paid off only after other lenders or investors in the event a borrower is unable to pay its obligations.

**Triple (double) bottom line investments:** Investments that seek significant returns along three (or two) different dimensions: financial, social, and environmental.

**Underwriting:** The process whereby a lender analyzes that information provided by a borrower as part of the due process review to determine whether the borrower meets the lender’s criteria for making a loan in terms of years of operation, track record, management and board experience, annual revenue, financial condition, loan-to-value ratio, and debt service coverage.

**Unsecured debt:** Debt that is not backed by a particular asset that could be seized in the event a loan is not repaid.

**Venture capitalists or funds:** Individuals or organizations that make typically equity, or equity-like, investments in start-up or early-stage for-profit companies and secure significant roles in the management of the companies in an effort to maximize the returns on their investments.

**Venture philanthropy:** A form of foundation operation under which sizable grants are made to a small number of organizations with which the foundation works intensely not only to support programs but also to upgrade management and general operations.

# APPENDIX B: Preliminary Tally of PtP Foundations, by Country

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>FOUNDATIONS</th>
<th>%</th>
<th>AMOUNT (US$ MILLIONS)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBERS</td>
<td>%</td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Austria</td>
<td>33</td>
<td>6.1%</td>
<td>$4,882.9</td>
<td>3.6%</td>
</tr>
<tr>
<td>Belgium</td>
<td>1</td>
<td>0.2%</td>
<td>$408.2</td>
<td>0.3%</td>
</tr>
<tr>
<td>Brazil</td>
<td>3</td>
<td>0.6%</td>
<td>$2,542.8</td>
<td>1.9%</td>
</tr>
<tr>
<td>Canada</td>
<td>1</td>
<td>0.2%</td>
<td>$53.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>73</td>
<td>13.5%</td>
<td>$206.7</td>
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<tr>
<td>Germany</td>
<td>29</td>
<td>5.4%</td>
<td>$15,672.1</td>
<td>11.6%</td>
</tr>
<tr>
<td>Hungary</td>
<td>1</td>
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<td>N/A</td>
</tr>
<tr>
<td>Italy</td>
<td>13</td>
<td>19.1%</td>
<td>$72,021.9</td>
<td>53.4%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1</td>
<td>0.2%</td>
<td>$497.8</td>
<td>0.4%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>36</td>
<td>6.7%</td>
<td>$7,073.7</td>
<td>5.2%</td>
</tr>
<tr>
<td>Norway</td>
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<td>$6,227.7</td>
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</tr>
<tr>
<td>Poland</td>
<td>4</td>
<td>0.7%</td>
<td>$511.3</td>
<td>0.4%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2</td>
<td>0.4%</td>
<td>$24.7</td>
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</tr>
<tr>
<td>Sweden</td>
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<td>6.5%</td>
<td>$1,478.8</td>
<td>1.1%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>9</td>
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<td>$3,170.7</td>
<td>2.4%</td>
</tr>
<tr>
<td>United States</td>
<td>199</td>
<td>36.9%</td>
<td>$19,988.5</td>
<td>14.8%</td>
</tr>
<tr>
<td>Other**</td>
<td>5</td>
<td>0.9%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>539</td>
<td>100%</td>
<td><strong>$134,760.80</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

4. This commonality exists despite the considerable diversity among organizations engaged in “social accountability” work. The field of SAcc organizations encompasses, at the very least, (a) large development NGOs such as CARE and Oxfam for which SAcc is one among other types of activities, and often a tool or means for other development purposes; (b) specialized SAcc-focused organizations, such as Transparency International and Article 19; (c) issue-specific organizations in such fields as health and education for which SAcc is an important means to an end; and (d) local grassroots or membership-type organizations, through which interested citizens rally around an issue that affects them and their communities directly. Organizations also vary in their approaches and tools—from advocacy and activist/watchdog roles, to community development, empowerment and civic participation. Although we focus on experience of many types of SAcc and non-SAcc organizations here, the focus of our attention is the set of social accountability organizations operating in areas that are the focus of World Bank Global Partnership for Social Accountability (GPSA) attention. These tend to be smaller, community-based organizations operating in less developed regions.
5. William Foster and Gail Fine, “How Nonprofits Get Really Big,” Stanford Social Innovation Review (Spring 2007), 52-53. This figure combines the 40 percent of organizations that identified government grants and contracts as their primary source of growth and 90 percent of those that identified “program service revenue” as their primary source. The “program service revenue” category is an awkward one due to the definition used in the data source tapped in this study (the so-called U.S Internal Revenue Service Form 990) but the authors did acknowledge that for 90 percent of the cases that had such revenue as their major source, this revenue actually also came from government.
8. Jeff Bradach, Co-founder and Managing Partner at Bridgespan, one of the leading U.S. intermediaries working to boost the capacity of nonprofits worldwide. Personal interview, February 3, 2014.
9. Equity investors provide capital in return for a share of ownership in an enterprise and therefore a share in any profits that are generated. Equity investors therefore bear the risk in the event of failure since they do not have to be paid back if no profit is achieved. In this sense, the capital they provide is “free.” But nonprofits cannot share ownership and are barred from distributing profits so must rely on loans, which come with pre-set obligations for interest payments even if a venture does not earn a profit.
11. Email exchange, Monica Jimenez, August 8, 2013.
13. For a complete listing of the interviews, see the Bibliography at the end of this report.
14. For a listing of such sites, see the Bibliography at the end of this report.
15. For a full listing of these sources, see the Bibliography at the end of this report.
29. These various conceptions of financial sustainability may also be viewed as stages in organizational development: i.e., organizations first strive to cover basic operations, often with little regard to the source; next, they want more independence and therefore seek to diversify at least the sources of their revenues; finally, they begin to look beyond contributed revenue by developing products that can attract paying customers, whether individual or institutional.
30. This section draws heavily on Salamon, *Leverage for Good* (2014), 85-86.
34. The assets held by U.S. foundations as of 2010 totaled $618 billion, which yielded approximately $45 billion of charitable grants. By comparison, the assets in commercial banks in the U.S. totaled $14.4 trillion (nearly 25 times the foundation assets), in mutual funds $8 trillion, in insurance companies $6.6 trillion, and in money market funds $2.8 trillion. And similar data are available for other countries. By “leverage” here I do not mean loading mountains of debt on the balance sheets of charities, but rather using charitable resources to stimulate a greater flow of private investment capital into social and environmental purposes. The recent financial crisis is full of lessons about the dangers of over-leveraging, but the philanthropic world is seriously under-leveraged, which brings its own dangers in terms of leaving serious social and environmental problems to fester. Foundation data from: Foundation Center, “Highlights of Foundation Yearbook,” *Foundations Today Series* (2011), accessed May 10, 2013, http://foundationcenter.org/gainknowledge/research/pdf/fy2011_highlights.pdf; data on other institutions from the Federal Reserve as reported in U.S. Census Bureau, *Statistical Abstract of the United States: 2012, 131st Edition*. (Washington, DC, 2011). http://www.census.gov/compendia/statab/cats/banking_finance_insurance/financial_assets_and_liabilities.html.
37. Information on these organizations was gleaned from interviews and from the following websites: sairr.org.za; mysociety.org; survivalinternational.org; public-accountability.org; propublica.org; and transparency.org.
40. Greiling and Halachmi, Organizational Learning (2013).
45. Micro-insurance is a way to protect vulnerable populations at the bottom of the pyramid by spreading the risk of various potentially calamitous events (e.g. sickness, crop failure, natural disasters) across millions of people, reducing the cost per person. For further information, see: Craig Churchill and Lauren Peterson, “Insurance,” in Salamon, New Frontiers of Philanthropy (2014), 457-494.
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Common Cause: http://www.commoncause.org
Community Wealth Partners: http://communitywealth.com
Convergent: http://www.convergentnonprofit.com
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Instiglio: http://www.instiglio.org
Integrity Action: http://www.integrityaction.org
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KRC Uganda: http://www.krcuganda.org
mySociety: http://www.mysociety.org
National Center on Nonprofit Enterprise: http://www.nationalcne.org
National Institute on Money in State Politics: http://www.followthemoney.org
New Profit: http://www.newprofit.com
Nonprofit Finance Fund: http://nonprofitfinancefund.org
Partners in Scale: http://partnersinscale.com
ProPublica: http://www.propublica.org
Public Accountability Initiative: http://www.public-accountability.org
Public Citizen: http://www.citizen.org
South African Institute of Race Relations (SAIRR): http://www.sairr.org.za
Survival International: http://www.survivalinternational.org
TCC Group: http://www.tccgrp.com
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