

Annex 5. Pact USAID/ENGAGE: Sustainability Strategy and the Roadmap



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Advocacy CSO Sustainability Strategy Road Map: Next Steps in Fostering Greater Financial Sustainability in Ukraine

Prepared for the USAID Enhance Non-Governmental Actors and Grassroots Engagement (ENGAGE) Activity

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Purpose and Focus

This Sustainability Strategy Road Map provides next step recommendations and guidance for further development of advocacy CSO sustainability programming in Ukraine, which is envisioned to include development of an advocacy legacy fund mechanism. This strategy firstly focuses on steps that Pact ENGAGE can take in the next eighteen months to further support select CSOs' financial sustainability efforts to be more financial diversified and resilient and to be able to take advantage of future advocacy fund mechanism support. It also identifies a number of issues that Pact, USAID, and other donors will need to more coherently address in order to provide a legally enabling and donor-coordinated environment conducive for advocacy CSOs' further financial diversification options. Thirdly it provides a general blueprint for USAID to consider for consultation on and designing of an advocacy fund mechanism for advocacy organizations in Ukraine. Looking forward, it provides guidance as to what would be strategic considerations for advocacy CSO sustainability programming beyond 2021. During validation fieldwork in January 2020, the researcher refined these strategy objectives and recommendations with key stakeholders including Pact CSO core partners, USAID, and a select set of donors active in supporting CSOs in Ukraine.

This strategy builds on conclusions from the October 2019 Pact ENGAGE synthesis study that looked at global experience in supporting advocacy organization financial diversification, which concluded that no one funding mechanism stands out as meeting needs of advocacy CSOs except to foster funding diversification. It further suggested as part of diversification the potential benefits of design of a hybrid advocacy fund in Ukraine (Pact 2019). Ten days of fieldwork in Ukraine in October 2019 tested the assumptions of the Synthesis Study. Key conclusions from the fieldwork suggest that financial diversification of some of the most established advocacy CSOs is progressing, but particularly domestic resource mobilization (DRM) is still in the early stages. As well, the fieldwork highlighted the mixed donor and enabling environment within which CSOs must navigate with few coordinated efforts in place to support a clear drive towards advocacy CSO financial sustainability or conditions in place for establishment of an advocacy legacy fund at the current time.

Hence the strategy focuses on addressing these current gaps with three broad levels of engagement and objectives to prepare the organizations and the environment for eventual legacy fund considerations as part of an advocacy sustainability strategy. These include 1) Specific Pact efforts to strengthen advocacy CSOs' financial readiness and 2) Pact, USAID, and other donor efforts to support the improvement of the domestic funding environment and enhanced donor coordination on advocacy CSOs' financial diversification; and 3) USAID efforts to begin consultation process on development of an advocacy fund mechanism. Each of these is detailed out below.

Objective One: Strengthen Advocacy CSOs' financial readiness

CSOs are in the process of diversifying their funding sources, but this is a process that requires time and support. In relation to support, Pact can consider how to augment their currently planning with core partner and other advocacy organizations for years 4 and 5 that puts in place a focused financial sustainability support framework. Steps in relation to this include:

1. Comprehensively track financial diversification efforts. Pact can consider a more systematic approach for tracking financial diversification of Core Partners complementary to its Organizational Performance Index (OPI) and other tracking that measures non-grant resources. This will provide a clearer understanding of actual progress and interests of the CSOs towards financial

sustainability. It will also provide guidance to Pact on where they might be able to offer further targeted assistance.

Within current Pact ENGAGE Year 4 plans that further the Journey to Self Reliance (J2SR) assessment effort, Pact should make every effort to systematically collect and identify each organization's grant and non-grant funding sources as part of total budget. This should also include a clear look at what they can consider as current in-kind contribution or monetizing of social capital (expert volunteers, etc.) that makes up the worth of a project. Ideally this overall review would include current funding as well as funding plan objectives for the next one to two years. There is no one specific template of funding breakdowns or funding portfolios that can be recommended, but two of the core Pact partners currently have quite comprehensive funding profile data which could serve as a model with agreement on minimum information that should be included. This would include for example % grant funding (domestic vs. foreign including any core or institutional funding) vs. non-grant funding (types of funding from income generation, contract work, individual donations, etc.); real amounts of these breakdowns duration of funding –i.e. what is short term vs. mid term. One practical way to include this in already planned efforts is to consider this categorization effort as part or in parallel to the planned CSO auditing effort.

Risk considerations and resources required: Core partners may be somewhat uneasy in sharing all funding information with Pact, but most will likely realize the benefits of this review process and want to engage. This mapping effort will likely require a bit of additional staff time as part of the planned J2SR assessment.

2. Identify funding diversification targets and support funding development strategy/funding plan. Pact should consider asking each core partner and as possible other key advocacy partners to make a commitment to a reasonable percentage of non-grant funding per its financial planning efforts (5-20% may be reasonable). Pact should support them to ensure that this planning is realistic and possible and provide support in this planning process as needed. Pact may need to provide a template to guide partners in a structured way through thinking about and refining the funding development strategy.

As part of this, partners should draw on their already developed strategic plan and ensure that the strategic plan is linked to their funding resourcing plan. This would provide a framework for them to clearly see how to 'pay' for both projects and the organizational staffing and other costs, which are required to take on the work and keep the organization active. There is no set model of financial diversification, but Pact can draw on the more advanced efforts of current partners for examples and ways to structure funding strategies.

Risk considerations and resources required: Several core partners may be uncomfortable committing themselves to diversification funding targets, but a majority would likely recognize this as a needed next step in financial diversification. Similarly to above, additional Pact staff time would be required to engage and sketch out benchmark targets and work with the partners on the funding plan/funding strategy.

3. Provide (additional) 'know how' support to organizations to bolster funding raising and related expertise. A clear snapshot of funding situations and proposed funding benchmarks will provide organizations a chance to consider what other support that they might need to reach their funding objectives. In this view, organizations might consider shifting some of their institutional funding to areas of staffing that could help with strengthening funding efforts. In addition to efforts Pact has already taken to provide coaching and mentoring for organizations in such areas as communications and outreach, it also could consider augmenting its technical assistance provisions

to organization by making available additional funding for ‘know how’ support (through the Marketplace or directly) to augment institutional strengthening efforts in gaps identified by the partners. One area for example of little experience but some interest is outreach to the Diaspora. Another area noted of interest was focused on endowment planning and building. Still another is more strategic abilities to reach out to the private sector through Private Sector Engagement (PSE) efforts. Pact might also consider coordinating additional advisory support efforts with USAID’s Ukraine Civil Society Sectoral Support Activity just getting underway which includes as one objective area of focus strengthened CSO institutional capacities.

Risk considerations and resources required: Organizations may request significantly more resources than Pact can provide and share around and expectations would have to be managed and or coordinated closely with the new USAID Activity partially designed to provide further capacity support to CSOs. Shifting of funding allocations with core funding and or new/additional know how funding support would require additional Pact staff efforts.

4. Support sustainability experimentation on a project-level basis. Pact and USAID could consider providing (more/specified) support for advocacy CSOs to experiment with trying to make specific projects sustainable through non-grant funding. Namely Pact could support initiatives within organizations where an organization has developed products or initiative and seeks ways to continue beyond grant funding. This would provide Pact partners with additional options for a product level opportunity to enhance financial diversification. Learning from this could also be useful for providing examples to others

Risk considerations and resources required: While individual product development requires less risk and resources than more general fundraising there are still risks and specific funding allocations that might need to be made as well as Pact staffing efforts. One way to consider spreading this risk is to coordinate with other donors interested to invest in such pilots. Realistically this likely would be a focus on 1 or 2 products during the remaining time of ENGAGE.

5. Further support and intensify cross-organizational fundraising learning. As part of this larger process, Pact should also consider how to encourage cross-organizational learning in these areas. Organizations that manage to develop a successful crowd funding campaign or interesting way to engage with potential businesses provides useful examples to others that such efforts are indeed possible. As well, organizations should be encouraged to showcase their own funding learning processes, including lessons of what has not worked and why. Overall these efforts could be woven into Pact ENGAGE Year 4 plans for formal networking events amongst partners. Beyond networking events, one way to do this practically would be to do a funding diversification series as part of showcasing best practices amongst partners. This would provide a useful way to disseminate examples amongst core partners and other Pact partners. In parallel, Pact should consult with USAID’s Ukraine Civil Society Sectoral Support Activity implementers to consider synergies between their Objective 3 focus on enhancing research and learning amongst civil society and capturing fundraising learning best practices.

Risk considerations and resources required: Any sharing of ‘tips and tricks and learning points’ will need to be mindful of potential competition amongst core partners and partners. This will also require Pact and other implementer staff time to consider best mechanisms and or venues to facilitate and support these cross-learning efforts.

6. Overall, consider more emphasis for funding on the regional/local levels to more organizations. Pact can consider how to (further) bolster capacities and financial diversification of select regional analytical and advocacy organizations directly in addition to its work with national

networks and coalitions. This would provide these organizations with additional support to begin their own J2SR and in the process provide additional regional examples and lessons for how to best diversify funding. A key focus might be on already identified strategic areas in the Eastern and Southern regions of Ukraine¹ per the Year 4 Pact work plan. This would be with the intent to bolster funding diversification abilities as part of other ongoing efforts to raise capacities of advocacy organizations and to integrate their efforts into national civil society advocacy efforts.

Risk considerations and resources required: Pact will need to consider the extent to which it can focus additional funding for the regions in the areas highlighted above. It may also consider how to work with other donors to leverage similar support to the organizations for funding diversification.

7. Consider further study of how organizations ‘utilize legitimacy claims’ from local funding in their advocacy efforts. Pact is well placed to capture learning from the links between local funding and advocacy organizations’ efforts to engage and activate citizenry and achieve advocacy outcomes. Capturing these experiences will be useful for donors and CSOs in Ukraine as well as for contributing to global efforts in these areas. Pact should consider what can already be captured in relation to learning in these areas and design a research plan for working with partners to track these links during year 4 and 5 of the program. Findings from this research could inform further USAID and other donor programming to advance local funding options and citizen engagement in reform processes beyond 2021. Findings from this research could also be done in collaboration with USAID’s Ukraine Civil Society Sectoral Support Activity.

Objective Two: Improve domestic funding enabling environment and donor coordination on advocacy organization sustainability

A number of Objective One recommendations include some level of coordination with other donors as part of Pact efforts to strengthen Pact partners’ financial readiness. In addition to these, donor sector wide coordination and attention is advised in the following areas:

1. Further (and continued) close cooperation and alignment with other institutional donors to ensure coherent sustainability focus. Pact should work with other donors to align coherent policies on two levels. First, there are multiple ways to coordinate assistance that allows piloting, experimentation, gap funding, etc., which could ease CSOs’ efforts in strengthening and funding objectives. Pact has been coordinating these efforts with other donors through regular donor meetings and as needed. Continuing this effort as well as making more intentional coordination on financial diversification and sustainability efforts with donors and local partners could open additional space for partners to experiment. Secondly, Pact is well placed to work with other donors currently providing core and institutional support to advocate for alignment of practices under a ‘good donorship’ set of principles; this would commit each to a shared explicit approach for financial diversification of advocacy focused CSOs that emphasizes a strategic programming rather than project based approach. Notably this places a premium on CSO (community-led) vs. donor led programming. It also could provide innovations like inclusion of contingency fund options in normal project funding where CSOs are encouraged to practice comprehensive fund planning for their organizational and programming strategies.

¹ This includes Kharkiv, Kherson, Sumy and Zaporizhia Oblasts.

2. Further coordinate donor stance on domestic public options and legal enabling environment. There needs to be close coordination with USAID's (Ukraine Civil Society Sectoral Support Activity) and other donor support to CSOs engaged actively in seeking a better enabling environment in Ukraine. Donors need to consider how further donor coordination in these efforts can heighten favorable outcomes. Donors already are closely tracking how different legislation affects CSOs' ability to earn income, have volunteers, etc. and also generally have a shared view of best practices for enabling environment conditions. There is a more mixed view of domestic public funding option support – whether National Fund for Civil Society Development and/or tax designation or other. Donors need to clarify their position(s) and agree on best approaches for encouraging government progress in these areas. This could include key policy statements as well as further donor funding coordination on support for CSOs engaged in these efforts.

Risk considerations and resources required: The political landscape may mean that little meaningful progress on either public option or more enabling environment may be possible in the near term. Regardless donors should take a critical look at what is possible and what this means in relation to CSO financial diversification expectations.

3. More formally capture and share DRM best practices amongst donors. Each donor has partners that have been successful in gaining non-grant alternative domestic funding in different areas from piloting, to spinning off to income generation and work with government institutions. Sharing experience from a wider pool of CSOs would enrich Pact and other donor efforts to support their respective partners to strengthen their funding efforts. This should include reaching out to non-traditional donors like Luminate to better understand their approaches and funding innovations.

Risk considerations and resources required: Some donors like CSOs may feel a bit uncomfortable in sharing individual partner information, and clear protocols for how and when this information is shared would need to be developed. Such an effort would also require a coordinating actor that could put time into tracking and coordinating these efforts.

4. Leverage donor (particularly USAID) options to work with the Diaspora communities. USAID has a strong history of encouraging engagement between Diaspora and civil society communities around the world and also has had a specific focus on Ukrainian Diaspora in relation to investment opportunities. Using this leverage and support to further engage with and explore funding support options would provide useful information for many CSOs in Ukraine. Namely USAID can consider how to best use and follow up on the 2016 Ukrainian Diaspora Investment study (USAID 2016) and ongoing engagement with Diaspora communities to identify more concretely ways that USAID can facilitate engagement amongst the two sets of actors. Similarly Pact and USAID can encourage other donors to consider how they can best support like-minded Diaspora communities (whether in North America or Europe) with advocacy organizations in Ukraine.

Objective Three: Identify possibilities for design of a joint advocacy fund mechanism

1. Open conversations about interests in donor support of a basic advocacy innovation fund. USAID and Pact should consider starting a comprehensive consultation process with potential contributors and consideration of their own institutional/other funding planning. It could also provide an opportunity to open conversations with select domestic private sector investors as part of efforts to include PSE as a component of the funding profile. First areas of consultation should be around a general approach and interest in such fund with some key initial questions related to respective timelines and support level possibilities.

Next step consultation should be on design and management options with the Synthesis Study providing guidelines for best practice design considerations related to management, profile, challenge fund options, etc. One area highlighted further during validation was the possibility for such a fund to have a policy actor as well as a resourcing role.

2. Consider Piloting a beta model of advocacy fund in the near to mid term, which has a pooled funding option and incorporates challenge fund DRM approaches. Assuming some interest and general shared approach on advocacy innovation fund, such a fund could be part of some donors other ongoing funding efforts in the near to medium term and would not necessarily require significant strategy shifts or (major) new resource allocation. Piloting a version of funding would further acclimate CSOs to this type of funding approach, potentially fill in existing gaps, and encourage their financial diversification. It would also provide the opportunity to experiment and refine design and operational considerations for an eventual legacy fund option.

Risk considerations and resources required: Consultation processes require time and effort and there is always the risk that little actionable results would come from such a consultation process. Still it is better to assess earlier rather than later the appetite for such a joint approach and to plan accordingly. At least during validation, it is noteworthy that 3 additional donors expressed interest in the idea of a multi-donor fund for advocacy CSOs. There is considerable risk in asking donors to commit funding to a new endeavor, and it might be that USAID would need to provide initial seed funding and then seek out at least one other key donor to pilot the effort. Clear funding and staffing resources would be required for this effort with all the considerations normally outlined for any new funding as well as how to manage a pilot version within current Pact ENGAGE or other USAID support efforts.

Next steps beyond 2021

The strategy has outlined concrete steps for improving advocacy CSO financial readiness during the next 18 months and for also improving the enabling environment for this readiness through better donor coordination and coherence in relation to supporting individual CSO sustainability and for putting in place legislative frameworks that ease financial diversification efforts.

With the other ongoing efforts and this strategy it is likely that select advocacy CSOs will have better diversification by the end of 2021.² It is also hopeful that the donor component of enabling environments will be more attuned to support that furthers these efforts. The extent to which legislative enabling options may change is more difficult to affect despite other USAID support of initiatives in this direction.

Hence when looking beyond 2021, overall, strategy will need to continue to foster support for further progress in making Advocacy CSOs resilient and able to diversify funding on their journey to self reliance. An advocacy fund can be part of this process, and particularly if it adheres to design considerations that are appropriate for the advocacy CSOs and the Ukraine context highlighted in the fieldwork and confirmed during validation.

Some of these include:

- Focus on ensuring that the fund is designed to be flexible and responsive to necessary contextual changes;

² Pact Core Partners each outlined during a workshop key progress points in funding diversification that they anticipated by the end of 2021.

- A challenge fund component with DRM for bolstering domestic legitimacy; Challenge Fund component composition including focus on Private Sector Engagement;
- The ability to have mixed funding of institutional as well as project support; and
- Joint approach programming based on best practices of coalition and platform work to date in Ukraine.

Yet even if such an advocacy fund is developed, it should not be the only support or a legacy fund mechanism unless three criteria noted in fieldwork findings are fulfilled. Namely if an advocacy fund is indeed a legacy fund, then by the end of 2021 Pact and USAID assess the following situation:

1. Financial diversification maturity of a select cohort of advocacy organizations;
2. Significantly more enabled environment to allow and encourage DRM and public funding options; and
3. Major donor alignment and buy-in on approaches, timelines and support for such a fund to assure fund creation and onward support.

All of these criteria need clear benchmark clarification. For example, what constitutes ‘financial diversification maturity for CSOs’ and for how many of a selected cohort is something that needs to be considered. There is not a clear industry standard for what could be considered minimum requirements of CSO financial diversification. One guideline for Pact and USAID could be the extent to which core partners further develop, follow, and have a certain level of satisfaction with a funding plan that is in line with their organization’s strategic plan (see recommendation 3 for Pact above and implementation plan). Another could be a so-called ‘stress test’ look at what level of functionality CSOs could continue without most substantial grant funding.

If these criteria are not fulfilled (per clarified definitions), USAID should consider a mid-term strategy time horizon for further sustainability programming. The design and activation of an advocacy fund still has purpose in the near term. It can acclimate CSOs to this type of funding mechanism and can eventually become a legacy fund. But at least for the next 3-5 years it would need to be one part of USAID’s CSO sustainability programming (which would likely focus on further support of financial diversification efforts currently underway) rather than be considered as the legacy programming option.

References

1. Synthesis Study of Financial Support Mechanisms’ Effectiveness for Advocacy-focused CSOs, Pact, October 2019.

2. Ukrainian Diaspora Investment Study, June 2016,
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