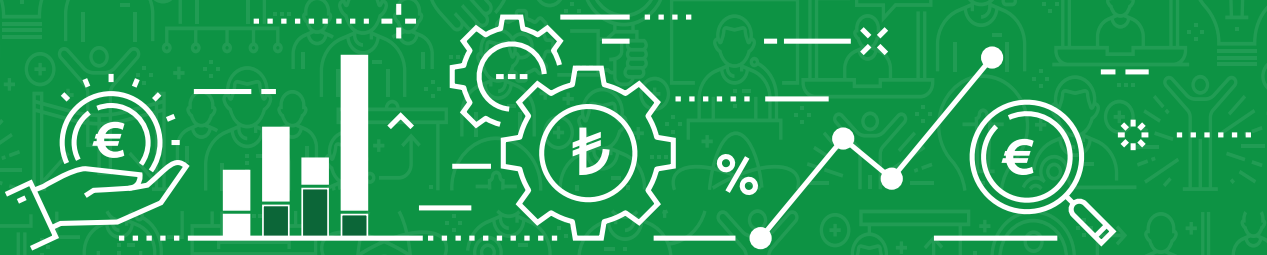




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# HOW TO ENSURE FINANCIAL SUSTAINABILITY FOR CSOs?



# Financial Sustainability

Financial sustainability refers to securing the necessary sources of income for a Civil Society Organization (CSO) to carry out its main activities. Ensuring the sustainability of CSOs depends not only on financial security but also on maintaining and developing its institutional, technical and administrative capacity. Although corporate sustainability has a broad definition, an important part of meeting infrastructure needs is directly related to financial sustainability.



## Financial Sustainability Strategy

A financial sustainability strategy implies a plan to ensure the availability, continuity and security of the financial resources necessary for a CSO to survive and carry out its activities. This strategy should aim to secure the future of the CSO as well as today. Together with the strategy, the income generating activities to be carried out by the organization are determined in line with the recent financial targets and the appropriate financial policies.

## Setting Financial Goals

CSOs should set financial targets to themselves on a regular basis. These targets may be monthly, yearly or longer term. Financial objectives are determined by considering the existing assets, income generation potential, popularity, opportunities and risks of CSOs. CSOs should set their income targets as well as their expenditure targets for the same budgetary period.

## Building a Strong Financial Management System

Finance is an area of expertise. Financial management also requires following up-to-date information on this field and having knowledge and being equipped on infrastructure, legislation and financial systems. A CSO needs to establish a system to collect information, monitor and evaluate on financial issues. The establishment of this system starts with questioning “which needs we have and how do we meet them?”. Today there are various digital tools that enable the operation of a financial system.

## Creating Financial Policies

CSOs have specific rules, principles and criteria for managing their financial processes. These rules and criteria should coincide with the purpose, mission and vision of the organization. At the same time, some priorities can be set for periods in which financial targets are set. These priorities may vary over the years depending on the change in economic, technological and environmental factors.

**Revenue Policy:** It is the policy formed from which sources and how the organization revenues will be obtained. Each organization establishes an income policy within the resources and opportunities available to them. At the same time, the income policy of the institutions should be compatible with their own stance.

**Stakeholder Policy:** These are the policies that determine the financial relationship of CSOs with the stakeholders they work with. These stakeholders may have expectations that changes over the years. Organizations should be aware of these expectations and update their tools accordingly.





**Ethical Policy:** These are the policies in which the ethical principles of CSOs are reflected in their financial works. Organizations may choose to apply ethical principles at various stages of financial processes, from stakeholder relations to resource development, in line with their goals, missions and visions.

**Risk Management:** The economic environment in which CSOs live can be full of a wide variety of risks. Economic crisis and inflation, exchange rate, theft and corruption, political tensions and cut-off of funds are some of these risks. Risks may stem from domestic reasons as well as international conjuncture. The CSO should draw up a risk plan according to the level of dependence on internal or external resources.

## Fundraising and Methods

CSOs raise the funds within the framework of their income policy. This policy may require more emphasis on some fundraising activities, exclusion of others, or applying multiple models.

Fundraising also means good communication. The quality of communication developed with donors, members, sponsors and all other supporting institutions, is the main factor for the income of the CSO. Therefore, fundraisers within the CSO should have good communication skills as well as knowledge of new media and technology tools.

### Membership Fees

Membership fees are an important source of income, especially for CSOs with a broad membership base. If the payment capacity of the members is taken into consideration in determining the membership fees, the fees can become a regular income tool. Fees also help to establish an identity-based link between members and CSOs. Within the legal framework for CSOs technical facilitators of the current day could also be used to ease processes.

### Donations

The main source of income for many CSOs is donations. CSOs should therefore develop a strategy for their current and potential donors. For example, classifying donors, creating different communication strategies for different groups of donors allows asking right amount of donations from the right people. The creation of a donor database will facilitate the classification.



Face-to-face communication, on-line campaigns, TV programs / advertisements, website and digital tools, cultural and social events (running, excursions, bazaars, etc.) are the most widely used fundraising methods.

Donations can be individual or institutional. Understanding the motivation of individuals and institutions is the first step of effective communication. CSOs also need to be mastered in donation legislation in Turkey. Sanctions may be imposed due to an incomplete permission process of fundraising activities.

In Turkey due to the room for improvement in legal basis, donations may be interpreted as assistance and therefore be subjected to different legislation. CSOs need to carefully conduct their raising activities basing on practices and legislation.



## Project Grants and Funds

They are the cash resources provided by national and international institutions for a specific project. The project grants and funds are often announced through an open call. CSOs make project applications in line with the guideline prepared for the relevant call. A selection committee evaluates applications according to certain criteria and then grants are awarded afterwards.

The most common grants and funds are offered and delivered by the European Union, United Nations Institutions, Council of Europe, World Bank, Foreign Embassies and Consulates, National and International Foundations, Public or Private Sector Institutions.

## Economic Enterprise Income

CSOs can generate revenue from the sale of goods and services by establishing an economic enterprise. The content of these goods and services can be nourished by CSOs' expertise. Economic enterprise has to be stated in the statute of the CSO.

## Investment Income

CSOs may have immovable property, foreign exchange, stocks, cash and such investments. Interest and rental income are one of the regular income sources of the organizations and make a significant contribution to sustainability. CSOs can also receive expert support in identifying investment instruments.



### Beneficial Practices

*It may be challenging for CSOs to collect contributions. Delays in the collecting process risk financial sustainability of CSOs as well as disrupt the members to take part in civil society actions. Using state of the art technical means might ease payment processes. In addition developing portals with reminders for the members to follow their liabilities would enable them to actively take part in processes.*

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