I. ABSTRACT

Roby Senderowitch, Program Manager of Global Partnership for Social Accountability, opened the event by stressing the importance of the topic under discussion. While donor funding is the primary mode for funding social accountability approaches, it is imperative that we find other ways of financing to ensure sustainability of this work. Professor Lester Salamon, then, made the presentation. He listed the challenges of achieving financial sustainability at the same time highlighting the need to achieve sustainability. He also suggested how the current changes in the environment could be harnessed to improve financial sustainability of the civil society organization. Kurt Peelman, CEO of European Venture Philanthropy Association, briefly commented on the presentation and the room was opened for discussion. A lively discussion followed.

II. CHALLENGES OF FINANCIAL SUSTAINABILITY FOR SOCIAL ACCOUNTABILITY ORGANIZATIONS

In addition to risk associated with entrepreneurial activity, the nature of social accountability work poses serious challenges to achieving financial sustainability for civil society organizations that are working in this field. First, the mission of social accountability organizations puts them at odds with their governments, which have been the major source of sustainable financing for other nonprofit organizations globally. Second, social accountability
initiatives by definition produce public goods i.e. information. They have a strong mandate that all the information they produce be available widely and publicly. As a result, the social accountability field faces “free rider” problem. Third, civil society organizations working on social accountability cannot accept funds from a number of actors because of the necessity of maintaining their reputation. CSOs need to be completely independent of various political actors in the society, as the legitimacy of their work rests heavily on objectivity. Therefore, accepting funds from organizations who may have stakes in consequences of the CSOs’ work poses great reputational risk.

Despite these challenges, it is imperative to move beyond heavy reliance on donor funding. The availability of funding depends on the interest of donors and is notoriously fickle. Therefore, the growth of social accountability field cannot be built on donor funding.

III. RECOGNIZING THAT FINANCIAL SUSTAINABILITY IS A MULTI-FACETED CONCEPT

While financial sufficiency and revenue diversification aspects of financial sustainability focus on funding adequacy and revenue diversification respectively, it is important to keep in mind that financial sustainability goes beyond revenue generation. It is just one component of organizational sustainability, and is closely integrated with other facets of organizational operations to be considered on its own. For social accountability field, it is an important observation, since for social accountability the most important goal is to deliver outcomes that people value. Keeping this aspect of financial sustainability in mind will ensure that mission of social accountability activities is not diluted and remains at the center of the work that these organizations do.

Similarly, it is important to recognize that there are costs and benefits involved in achieving financial sustainability and financial sustainability must involve systematic balance between the two. Therefore, every organization should analyze programs against 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?).

IV. POSSIBILITIES FOR ACHIEVING SUSTAINABILITY FOR SOCIAL ACCOUNTABILITY ORGANIZATIONS - PROS AND CONS OF FIVE STRATEGIES

Recently there has been a massive explosion in the tools of philanthropy and social investment, which presents a great opportunity for social accountability industry for achieving financial sustainability. New instruments are being deployed to mobilize private investment resources in support of social and environmental objectives including loans, loan guarantees, and social impact bonds. In addition to foundations, a number of new actors have also come into play such as capital aggregators, social ventures, social cooperatives ad community interest companies.

In addition, the idea of evidence-based decision-making and related development in metrics that allow that process, provides an opportunity for social accountability industry. It allows social accountability nonprofits to show their impact and thus 'earn' funding from donors instead of relying solely on connections and preferences of the donor.

The GPSA Brown Bag Lunch (BBL) series is a program of lunch-time events aimed at sharing the experiences, knowledge and learning of GPSA Grantees, Partners and World Bank Initiatives. All BBLs are held at World Bank offices, live streamed and documented.
In this environment, there are promising financial sustainability strategies for social accountability organizations. First, they can try to build the brand through solidifying their organizational reputation for objectivity, reliability and by consistently showing positive impact of their work. This strategy would appeal to the international donors with high likely return. It also ensures that the mission of these organizations remains aligned with their activities.

Second, social accountability organizations could sell some of their products. For example, government agencies and businesses could be interested in citizen satisfaction surveys conducted by social accountability organizations. Similarly, assessments of governmental functions conducted by these organizations could be useful to businesses. However, some of the discussants suggested that this information should be available to all and should not be sold at a price, since this is the mandate of social accountability institutions.

Third, social accountability organizations could sell by-products of their activities. For example, social accountability institutions regularly produce information on how to contact different government offices, or guides to locations of various public services. There could be a demand for these products by businesses, citizens and other CSOs working on separate but related issues. The downside of this approach, however, is that the alignment of these activities with the mission of these organizations is low.

Fourth, social accountability organizations can also sell social impact bonds. One of the objectives of social accountability work is to get information on behavior of public officials at different levels. This information can be very valuable to government agencies who seek this information to strengthen internal accountability. Websites and instruments that attempt to expose bribes also produce valuable information that the government can use to monitor behavior of its officials. Similarly, it could also work in related fields where behavior change is required, for example in reducing smoking or working in population grown. One example to note here is that of peace bonds. Many nonprofit organizations are trying to deal with violence in post-conflict situations by integrating youth in their programs and providing them with jobs. Since these outcomes are related to the work that most social accountability organizations do, the alignment of these activities is expected to be moderate. The biggest challenge in this strategy is how to transfer the money from the government to the social accountability institutions.

Last but not the least, social accountability organizations could secure and manage assets. For example, some organizations may acquire these assets when a government privatizes a public asset and hands it to social accountability organizations to manage e.g. schools, radio etc.

V. OPERATIONALIZING THESE STRATEGIES – WHERE INTERNATIONAL ORGANIZATIONS CAN HELP

International organizations can help social accountability organizations move toward achieving financial sustainability by taking the following steps.

- Create a learning community among social accountability organizations to initiate a focused discussion about the need for sustainability planning and to stimulate a set of pilot applications of promising sustainability strategies.
• In order to advance this understanding empirical knowledge is required, which cannot be built through empirical experimenting and piloting. However, piloting requires capital. International organizations can help by creating a social accountability organization financial sustainability financing facility to allow social accountability organizations to finance promising sustainability projects.

• Foster a set of sustainability technical advisors especially equipped to understand the special challenges and the special opportunities facing social accountability organizations in achieving financial sustainability.

• Train social accountability leadership and staff to implement various sustainability strategies in their particular settings.