AUSTRALIAN NATIONAL COUNCIL ON DRUGS

Complementary Funding for Non-Government Organisations:

A brief for the AOD sector

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Table of Contents

Introduction ............................................................................................................................................. 1

Summary ................................................................................................................................................ 2

1. Business sponsorships or partnerships ......................................................................................... 4

2. Social enterprise ............................................................................................................................... 6

3. Social investment, community, and social impact bonds ............................................................. 8

4. CDFIs and Community Foundations ............................................................................................ 10

5. Debt and equity financing .............................................................................................................. 12

6. Crowdfunding ................................................................................................................................ 14

Appendix ............................................................................................................................................... 16
**Introduction**

The major sources of funding for the not-for-profit sector (including non-government organisations (NGOs)) are government funding, charitable donations or grants, fundraising, and payments for services. Non-government alcohol and other drug (AOD) organisations typically rely heavily on government funds.

The ANCD has developed this brief to provide an introduction to a range of potential sources of funding to supplement government funding for AOD NGOs, with links to further information and examples.

In recent years the important contribution of the not-for-profit sector to Australians’ health and welfare, and to the economy, has been recognised in a number of government reports and reviews. Some actions have been taken by government, including the establishment of the [Office for the Not-For-Profit Sector](https://www.business.gov.au/office-for-the-not-for-profit-sector) and the [Australian Charities and Not-For-Profits Commission](https://www.acnc.gov.au), and the signing of a [National Compact](https://www.compact.org.au) between the Australian Government and the not-for-profit sector.

Sources of information on these reforms are listed in the appendix.
Summary

1. **Business sponsorships or partnerships**

Some NGOs receive support through relationships with specific businesses, which may include receiving funds or other non-financial supports.

2. **Social enterprise**

Social enterprises are businesses that are established for a social purpose, which may or may not generate profits. There is a range of different contributions they can make to NGOs and their social purposes, including generating income to support other activities, or providing specific population groups with employment.

3. **Social investment, community, and social impact bonds**

A bond is ‘debt security’ sold by a bond issuer to an investor for a set period of time. The issuer must repay the amount of the bond after this set time, sometimes along with interest. Social investment or community bonds are bonds issued by not-for-profits to raise capital. ‘Social impact’ bonds differ in that while the sale of these bonds funds NGOs’ services, repayment and returns to investors are provided by the government. Some Australian Governments have recently taken steps toward implementing social impact bonds.

4. **Community development financial institutions (CFIs) and Community Foundations**

CDFIs and Community Foundations source capital from a range of contributors and philanthropists to support community projects and services. These institutions act as an intermediary between NGOs and contributing individuals or organisations. There are a number of CDFIs and Foundations operating in Australia, which can be approached by NGOs and non-profit-organisations.
5. **Debt and equity financing**

Debt financing (that is, taking on a loan) may not be possible for many NGOs, as it requires the capacity to repay. Equity financing, on the other hand, involves selling shares in an organisation, and may be more possible for NGOs since it does not involve the need to service a debt. A loss of autonomy, however, in running the organisation, and certain legal requirements, will need to be considered.

6. **Crowdfunding**

Crowdfunding involves collecting many small donations from a large base of contributors, usually through online tools or social media. Donations may be given in return for a share of a company, or may be provided as gifts (also sometimes called ‘micropatronage’). Many Crowdfunding platforms are now available online. Platforms may charge a fee to establish a crowdfunding page, and offer varying arrangements for the transfer of funds.
1. Business sponsorships or partnerships

Some NGOs receive support through relationships with specific businesses. These may involve simple receipt of donations, or more thoroughgoing partnerships, where businesses provide NGOs with non-financial supports, for example in-kind gifts, pro-bono work, volunteers, within-company fundraising, or help to organise other fundraising events or schemes. Businesses can also build the capacity of an NGO by helping build the skills of NGO workers, especially in fields such as financial management, I.T., leadership skills, or administration.

Using business sponsorships or partnerships

Successful partnerships most often begin with a traditional ‘sponsorship’ model, where the company provides funds to the NGO. More integrated partnerships may then develop over time, often developing organically between a company and an NGO when there is a good fit between each organisations’ values and aims, and good collaboration.

There are some ways that NGOs could enhance the opportunity to develop these partnerships. This included improving their service evaluations, financial accounting, and business planning capabilities, which can help NGOs to demonstrate their value to potential business partners. NGOs can also pursue partnerships by initiating contact and engagement with specific businesses.

Example: Australian Seniors Computer Clubs

The Australian Seniors Computer Clubs Association is a national peak association which promotes information technology for seniors.

The Association has links to Telstra and Microsoft, which support its work. Microsoft provides software for the Association’s activities (through its partnership with Donortec, which is itself a not-for-profit organisation assisting other not-for-profits with technologies). Telstra provides the Association with training material and funds for the Association to run training courses for members.

(FaHCSIA 2012)
Further Resources

- FaHCSIA (2012). *Relationship matters*.
- The Partnering Initiative. *Emerging opportunities for NGO-business partnerships*.
- SR International. *Developing effective partnerships between non-governmental organisations and Corporations*.

Example: Reverse Garbage, Sydney

Reverse Garbage is a not-for-profit organisation in Sydney which diverts a range of products from going to landfill, and sells them commercially.

Among its various sources of funding is the National Australia Bank (NAB). NAB employees can volunteer at Reverse Garbage, either to undertake manual or retail activities, or to provide expert assistance in financial and business areas. This kind of partnership helps provide skills that not-for-profit workers may lack, as well as promoting skills transfer.

*(PriceWaterhouseCoopers 2011)*
2. Social enterprise

Social enterprises are businesses that are established for a social purpose, which may or may not generate profits. Social enterprises include:

- Businesses that are run by NGOs which help them to raise money to fund their services.
- Businesses that employ people from specific populations for the employees’ benefit, such as by building their skills, providing work experience and income, or increasing social connectedness and confidence.
- Businesses that produce goods or services that have a positive social impact, e.g. fair trade, organic, or environmentally friendly goods.

Example: Goolarri Media Enterprises

Goolarri Media was established in 1996 by the Broome Aboriginal Media Association (BAMA). Its purpose is to ‘digitise’ Indigenous culture and community, and it provides a range of media and communications services, in radio, television, music, event management, and marketing.

Goolarri provides employment, training, and work experience to Indigenous people in Broome and throughout the Kimberley region. It also generates profits, which are returned to BAMA and are allocated to other cultural and educational activities.

(Kernot and MacNeill 2011)

Using social enterprise

A social enterprise will need to become incorporated as a company limited by guarantee, or a non-trading co-operative. These kinds of businesses are regulated and come with certain financial reporting obligations and set-up costs. Before beginning a social enterprise, an NGO should therefore seek advice from legal and financial experts on what processes they need to follow, and what business structures will best suit their aims.

Some Australian Governments and businesses have recently initiated seed funding grants for social enterprises.
Links to social enterprise funding programs

- DEEWR: Social Enterprise Development and Investment Funds.
- DEEWR: Social Enterprise Finance Australia.
- Tasmanian Government: Social Enterprise Loan Fund.
- Government of Western Australia: Social Enterprise Fund Grants Program.
- City of Melbourne: Social Enterprise and micro-business grants.
- Westpac Foundation: Social Enterprise and Innovation Grants Program.

Further Resources

- Jarvis D. Starting out in Social Enterprise.
- Social Traders provides a Social Enterprises Tools page and an Australian Social Enterprise Finder search engine.
3. Social investment, community, and social impact bonds

A bond is ‘debt security’ sold by a bond issuer to an investor for a set period of time. The issuer must repay the amount of the bond after this set time, sometimes along with interest. Social investment or community bonds are bonds issued by not-for-profits to raise capital. In some cases, bonds will provide interest, but with social or community bonds, investors may accept a lower return than on commercial investments, as the main purpose of the investment is to promote a particular social outcome or result. These bonds may not be suitable for all NGOs as they involve taking on a debt, represented by the bond.

‘Social impact’ bonds have a broader application. Although these bonds can be issued to raise capital to fund services provided by a not-for-profit organisation, the returns to investors are guaranteed by the government. Government may repay the principal over time, or provide a return to investors at a rate that is conditional on the outcomes achieved by the services.

Social impact bonds can therefore provide benefits to all stakeholders. Not-for-profits receive funding for their services; investors receive either their initial investment back or a greater return; and governments can both provide social services and, in many cases, help ensure longer-term savings in government spending, where the services have important preventive or follow-on effects.

Example: Petersborough Prison, UK

In 2010 the UK Ministry of Justice raised £5 million from selling social impact bonds to reduce recidivism among short-sentence prisoners at Her Majesty’s Prison Petersborough. Bonds were sold through an intermediary (Social Finance UK). Services funded to reduce recidivism included several prisoner support programs (run by the St Giles Trust, the Ormiston Trust, and the YMCA) and other interventions in prison and post release.

The UK government has committed to providing a return on investors’ funds if the reoffending rate reduces by at least 7.5%, compared to the control group. Higher returns can be obtained if this target is surpassed. It was estimated that for each pound invested, the government will save £10.

(PriceWaterhouseCoopers 2011)
Using social investment, community, or social impact bonds

Issue of bonds requires certain legal structures and may not be suitable for all NGOs. If you are thinking of using these methods, it would be best to obtain professional legal and financial advice.

Some Australian Governments have recently been investigating the promotion of social impact bonds, and a trial is underway with three projects in NSW.

Further resources

4. CDFIs and Community Foundations

Community Development Financial Institutions (CDFIs) and Community Foundations source capital from a range of contributors and philanthropists. They may also invest these funds to establish an ongoing funding base. Funds are then provided to community projects and services. They may be provided in the form of grants, and CDFIs can also provide no-interest, low-interest or market-rate loans.

These institutions act as an intermediary between NGOs and contributing individuals or organisations, and can help remove some of the pressure of financial management from NGOs. Some CDFIs also offer NGOs financial expertise and advice.

Using a CDFI or Community Foundation

There are a number of CDFIs and Foundations operating in Australia, which can be approached by NGOs and non-profit organisations.

Links to CDFIs and Community Foundations

- FaHCSIA: Community Development Financial Institution Pilot Project.

Further Resources

- CDFI Data Project. Providing Capital, Building Communities, Creating Impact.
- Philanthropy Australia: Community Foundations.
- Social Traders (2013). Community Development Financial Institutions: Intro Brief. See also their links to further information.
Example: Sunshine Coast Independent Living Services (SCILS)

SCILS supports adults with mild to moderate intellectual disabilities, teaching independent living skills and seeking to empower their clients.

SCILS began as a small family-run operation over 20 years ago, to become the central hub of support for its client group in its region. Having expanded, and found that rental properties were not suitable for the needs of disabled clients, they decided to develop their property. SCILS approached Foresters, a CDFI, to obtain a tailored loan for this purpose, after having been turned down by a mainstream bank.

This loan has enabled Foresters to develop a specifically designed space for its clients to undertake learning and social programs, and has helped to enable long-term planning and development.

(Forsters Community Finance)
5. Debt and equity financing

Debt financing, i.e. taking on a loan, may not be possible for many NGOs, as it requires the capacity to repay. While some methods to support the capacity of NGOs to access debt financing have been recently under consideration by governments, these are not yet available in Australia. Nonetheless, NGOs who do own assets (such as a property), or have some capacity to repay debt (such as social enterprises making some profit) might consider securing debt financing where appropriate.

Equity financing involves selling shares in an organisation or business, and may be more possible for NGOs in terms of avoiding the need to service a debt. The disadvantage, however, is the loss of autonomy in running the organisation, as investors will need to be consulted on decisions and may have aims that differ to those central to the organisation. Nonetheless, some NGOs have successfully raised funds by incorporating a company which owns their operations, and selling shares in that company to investors.

Example: STREAT

STREAT is a social enterprise which runs street cafés in Melbourne, employing homeless young people to provide them with training and support them into a career. It was established in 2010, and in 2012 had the opportunity to purchase another social enterprise, SRC Roasting, with similar aims. While SRC had been turning a small profit, its owners were based in Sydney, which had been limiting operations.

To purchase SRC’s operations, STREAT needed to raise $300,000. To do this, it established a for-profit entity (STREAT Enterprises) to own the businesses, and sold 50% of this company in shares, predicting a return of 7 to 12% to investors over the first three years. Considerable effort was made, successfully, to source investors whose values and aims were consistent with their own. STREAT has been able to increase the numbers of people it employs and has continued to expand operations.

(Social Ventures Australia 2013)
Using debt or equity financing

If your organisation has assets or the capacity to service debts, you might consider using debt finance to ensure security of ongoing operations or to expand. This method does come with risks, and if you are considering it, it is best to seek expert financial advice.

Selling shares in your organisation for equity financing may require formation of a particular legal entity, and consideration will need to be given to corporate structures, as well as to the implications for retaining control and autonomy in decision-making. Again, expert financial and legal advice, and consideration of risks and benefits, is advised.

Further Resources

- National Federation of Small Business. Debt vs. equity financing.
6. Crowdfunding

Crowdfunding involves collecting many small donations from a large base of contributors, usually through online tools or social media. Donations may be given in return for a share of the company, or simply given as gifts (also sometimes called ‘micropatronage’). Crowdfunding has been used to fund artists, bloggers, music tours and albums, independent films, disaster relief, scientific research, and particular social projects.

Using Crowdfunding

Many Crowdfunding platforms are now available online, including specialised platforms for particular purposes or areas, and generalist platforms. Platforms may charge a fee to establish a Crowdfunding page, and offer varying arrangements for the transfer of funds. If considering a Crowdfunding campaign, NGOs need to ensure that the platform used is reputable, carefully check the arrangements for receiving the funds, set clearly defined project outcomes, and take the time to design an attractive campaign. To be successful, Crowdfunding campaigns may require ongoing promotional work.

Example: Burringurrrah Community Kitchen

Burringurrrah is a remote community in Western Australia. The Community Kitchen provides meals for school students, CDEP workers, and the elderly. In early 2013, the Burringurrrah Women’s Group used the ‘Pozible’ Crowdfunding platform with the aim of raising $500 to purchase kitchen equipment and food containers, to support plans to expand their kitchen to provide cooking courses and frozen meals for purchase. The campaign raised $2,615.

(Pozible campaign)
**Example: Wollangarra Outdoor Education Centre**

Wollangarra is a not-for-profit organisation which educates young people about the environment and conservation. Having grown, its facilities have become too small to cater for its volunteers.

Its Crowdfunding campaign on the Globalgiving website aims to earn $10,000 to improve facilities, and at June 2013 had obtained half of this amount.

*(Globalgiving campaign)*

**Links to Crowdfunding Platforms**

- General: Pozible, GoFundMe, Indiegogo, RocketHub, Crowdtilt.
- Specialised: Razoo, Crowdrise, Globalgiving, Crowdfunder.
- A dynamic list of Australian and New Zealander platforms is available [here](#).

Crowdfunding can also be set up on particular NGOs’ websites, for NGOs with the I.T. capacity and related resources to do so.

**Further Resources**

- Business Victoria (no date given). Raising funds through Crowdfunding.
Appendix


The compact negotiated between the government and the not-for-profit sector states the shared goals, aspirations, and commitment to collaboration of each. This includes to “investigate and support opportunities for diverse funding sources and partnerships.”


This report presents findings of a study into national regulation of the not-for-profit sector, along with a blueprint for its implementation.


This report examines the range of tax concessions currently available and how they may be reformed to better support the sector.


The ‘Henry Review’ stated that Australia’s system of tax concessions for the not-for-profit sector is overly complex and inconsistently regulated. It recommended a national regulator be introduced and tasked with addressing these issues.

NSW Health (2009). Discussion paper: NSW Health NGO program review. NSW Health, Strategic Development Division, Primary Health and Community Partnerships Branch.

The review of health NGOs in NSW examined governance and management issues, administrative burden, communication with government, and best practice funding models.

This document provides an overview of some of the major investments underway to support and develop this critical sector; which focus on building relationships between government and NGOs, reform of funding processes, strategies to improve service quality, streamlining of reporting, training and workforce development.


This report provides a brief review of issues facing NGOs related to red tape requirements, and makes recommendations for reduction in the short to medium term.

PriceWaterhouseCoopers (2011). *Potential Contribution of the NGO sector to deliver more and better services to people with a disability: Discussion paper.* ADHC, New South Wales.

The report provides an analysis of the funding sources currently used by the NGO disability services sector; a snapshot of various models and approaches to attracting funds and resources; an analysis and application of the insights and learnings; and governments role in building capacity across a range of areas. Chapter 4 provides a particularly useful overview of fiscal strategies such as social investment funds, community bonds, social impact bonds, community development financial institutions, debt financing, shared equity, and other options, with examples from Australia and overseas.


This report provides an overview of the size, diversity and outcomes of the not-for-profit sector, and considers a range of options for reform of the sector.

This report examines a range of finance options for the not-for-profit sector, focusing on financial intermediaries, social enterprise investment, and social impact bonds.


While this report covers a range of issues facing AOD NGOs, it contains some discussion of alternative funding sources and their likely benefits and drawbacks, including investment, fee-for-service, fundraising, social enterprise, and Medicare support.


The report provides general information on Australia’s ‘Third Sector’, sector reform and regulation. It includes information on models in use in the United Kingdom and New Zealand, and discusses reform of tax concessions, fundraising legislation, and disclosure regimes. It makes a number of recommendations including the establishment of a national regulator for the not-for-profit sector.


This report examines potential for corruption in the funding arrangements for NGO delivery of human services in NSW. It discusses issues arising from moving away from a system in which most of these services were delivered directly by the government, towards an outsourced model, requiring changes within government agencies as well as in the procedures required of NGOs, and the governance capacities of NGOs.

This document overviews the current Government’s reform agenda for the not-for-profit sector. The reforms focus on improved ways for government and the sector to work together; streamlining and simplifying regulation and promoting sector sustainability (including changes to private and public ancillary funds and the social development investment fund).
The Australian National Council on Drugs (ANCD) is the principal advisory body to the Prime Minister and Federal Government on drug and alcohol policy and plays a critical role in ensuring the views of the many sectors involved in addressing drug and alcohol problems, as well as the community, are heard.

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