

# Fundraising for social enterprises

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Scope Consulting





# Outline

1

Introduction to fundraising

2

Theory of change

## What is fundraising?

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Fundraising is about raising capital to support your project /social enterprise

Fundraising is a means to achieve you goals



Fundraising consists in building lasting and mutually beneficial relationships

Fundraising is a process

## Challenges to access to finance for SEs

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- SEs need to balance between sustainable business models and social impact
- Limited sources of funding
- Investors are traditionally more interested in Return on Investments than social impact
- Banks are reluctant to lend to impact-driven businesses
- Therefore SEs have relied on competitions and international donors
- These are useful at the early stages of projects, but not always adapted at later stages as the projects expand

# Fundraising best practices

1

## Set a clear fundraising strategy

Prepare a fundraising strategy that outlines your fundraising objectives and how you intend to achieve them



2

## Outline your short-, mid-and long-term funding needs

Set a clear timeline for your fundraising needs. Ideally fundraise what you need to break even



3

## Prioritize

Set a hierarchy for your funding needs



4

## Combine a compelling story with pertinent data

Strategic partners want to be inspired by your project but need to be convinced by hard numbers



5

## Be selective

Target partners that share your vision/values and are well-positioned to bring value to your project



6

## Aim towards sustainability

Funding is a form of support and not a lifeline of your project



7

## Don't fundraise incrementally

Fund-raising is a time-consuming process



8

## Focus on building long-term relationships

Partners are more likely to invest in entrepreneurs that they know



# Choosing the type of funding partners for you

## Idea Stage

- Friends and family
- Incubators
- Grants
- Competitions
- Crowdfunding

## Early stage

- Friends and family
- Seed funders  
(angels, VCs)
- Grants
- Incubators /  
Accelerators
- Competitions
- Crowdfunding

## Growth stage

- Private equity
- Accelerators

## Scale up

- Private equity

## Types of funding partners

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### Investment

- Angel investors
- VCs
- Banks
- Friends & family
- Crowdfunding

### Loans

- Bank loans
- Interest or interest-free loans


















### Paying customers

- Selling your product / services

### Institutional / donor funding

- NGOs
- Private and corporate foundations
- Endowments

# Types of funding partners

Type	Commerical	Non-commercial
Examples of potential partners	<p><b>Business anael</b></p>  	<p><b>Grants</b></p>  
	<p><b>Competitions</b></p>     	
	<p><b>Accelerators/ Incubators</b></p>   	<p><b>Corporate</b></p>  
	<p><b>Investors</b></p>  	<p>Herbert Quandt</p>



# Capitalizing on opportunities

Type	Commerical	Non-commercial
Before approaching a partner	<ul style="list-style-type: none"><li>• Discuss and write your plans: vision, strategy, financials, needs</li><li>• Know the strategy/goals/vision of the partner you are meeting with</li></ul>	
	<ul style="list-style-type: none"><li>• Prepare yourself to answer the sensitive questions upfront: strategy, valuation, funds needed, go/no go answers</li><li>• Prepare a pitch deck</li><li>• Business plan</li></ul>	<ul style="list-style-type: none"><li>• Responding to call for applications or directly approach donors</li><li>• Theory of change</li><li>• Build a proposal + budget</li></ul>

## Exercise I

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What are my fundraising needs for the:

- a) short-term
- b) Mid-term
- c) Long-term

Can I prioritise?

What are related milestones (in terms of \$ and/or impact)?

What kind of partner is best for my needs?

Do I understand the needs and vision of each of my partners?

Would you invest/support? What is different about your SE?



# Outline

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Fundraising

2

Theory of change

## When writing a proposal

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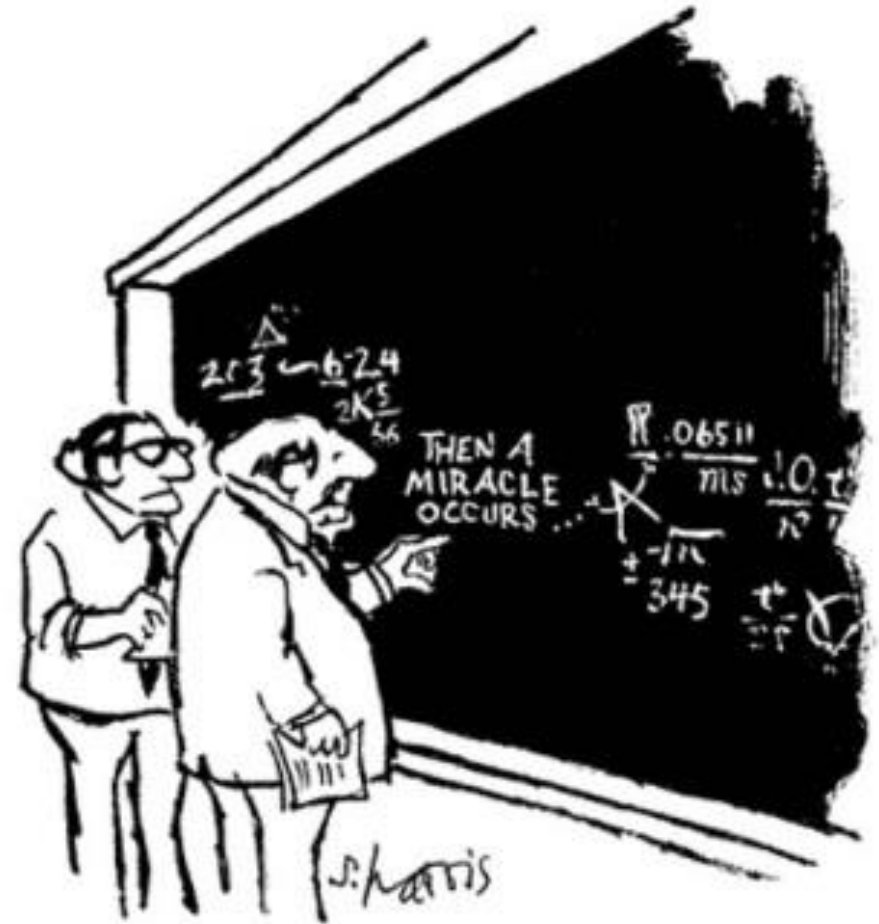
- If at first you don't succeed...  
...Treat proposal writing as part of the development process of your social enterprise
- Proposal writing is a team game
- Get outside opinion
- Get an editor

## What is ToC?

ToC is a description of how and why a desired impact will take place.

Use the outcomes model to map out the steps linking your intervention/activities, to the desired impact/change.

More info: <http://www.theoryofchange.org>



"I think you should be more explicit here in step two."

## Questions to consider

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Who

This is going to be your primary target group

What

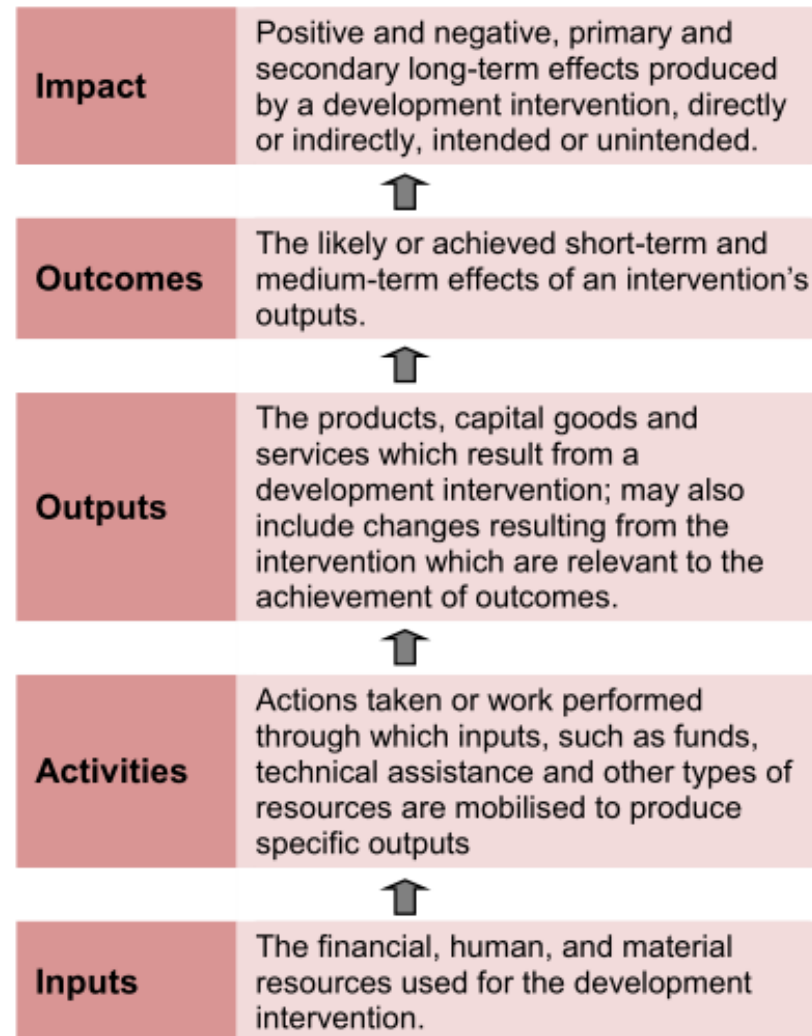
This is your long-term objective (also known as your desired impact).

How

This describes how your activities are going to contribute to your long-term objective, by way of one or several short-term and medium-term objectives (also known as outputs and outcomes).  
You also need to show that you are aware of the assumptions you make whilst travelling this road

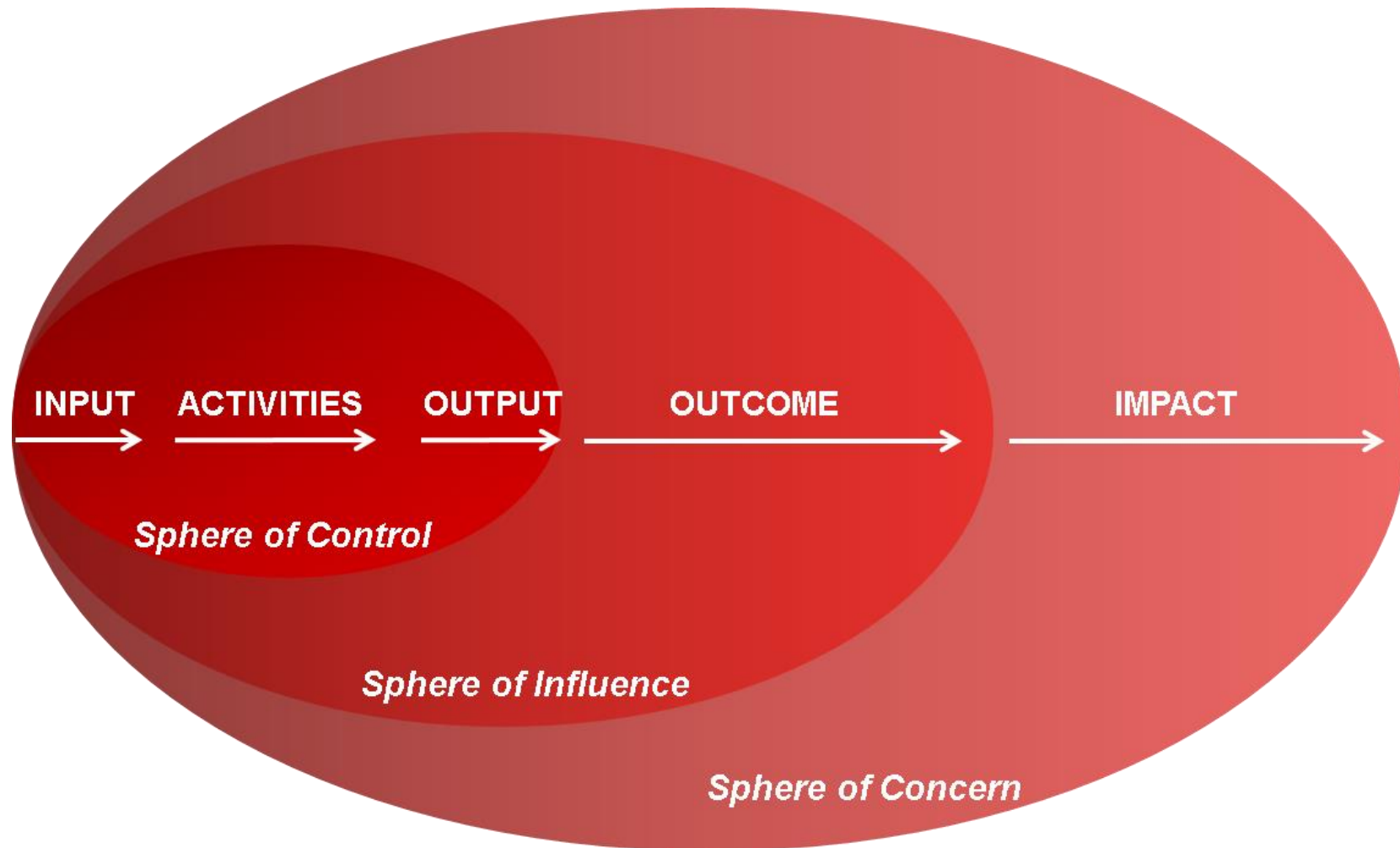
## Path to impact

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## Degrees of control


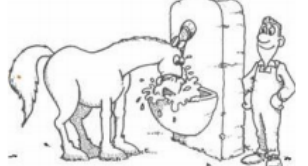

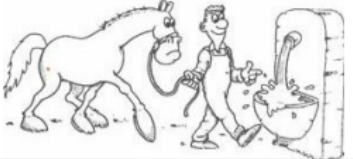


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# The happy horse parable

Table 4 Happy horse parable by MDF consulting. The Happy horse pictures can be used to clarify the results chain

	Happy horse parable	Intervention logic	Explanation
	Happy horse	Overall objective(s)	Importance of the project for the society
	Drinking horse	Project purpose	Reason why beneficiaries need the project
	Horse present at the fountain	Results	What will be delivered by the project
	Leading the horse to the fountain	Activities	What stakeholders and beneficiaries will do
	Fountain and the man	Resources	Inputs required for the activities
	Thirsty horse	What is the problem? (problem analysis)	Starting situation

# Basic elements of a proposal

1	<b>Organisation profile</b>	Brief history, description of the project, team, vision and main activity
2	<b>Background / context</b>	Describe the problem to which your project is responding to. Use qualitative and quantitative data.
3	<b>Target group</b>	Describe the target group, their needs/constraints, and how you respond to those
4	<b>Objectives, results and indicators</b>	Theory of change
5	<b>Activities</b>	Main questions to be answered: what / who / how / why?
6	<b>Human resources</b>	Who is the team dedicated to this project
7	<b>Timeline</b>	When will the activities be implemented
8	<b>Budget</b>	Provide a breakdown of the amount that you are asking for

## Exercise II

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**Problem statement**

**Target group**

	Description	Indicator	Means of verification	Assumption
Overall objective				
Specific objective				
Output				
Activity				
Input				

Thank you!

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