Sustainability: the grantmaker’s paradox

David Bonbright

Termed the ‘S-word’ by development consultant Alan Fowler, sustainability is a matter of great interest to all actors in the development process. For grantmakers, who naturally wish to see the activities they support continuing when their support has ended, the first step is to come to terms with a paradox: that the ideal status for a grantmaker is eventual redundancy.

Sustainability is a complex and relatively new way of thinking about economic and social organization. The term is used in many different ways, usually with the emphasis on one aspect or another depending upon the point of view of the narrator. Grantmakers, as financiers, tend to see sustainability in terms of a desire that the activities that they support continue to yield benefits after their investments cease.

The challenge for grantmakers involves something of a paradox. They finance programmes partly to end the need for their funds. This article focuses on the grantmaker’s paradox and proposes four steps to resolve it.

**Step one: a sense of irony**

The first step is to cultivate a critical, indeed ironic, attitude towards oneself as a
grantmaker. Grants have unintended consequences. Most notably, from the sustainability perspective, grants have a kind of displacement effect. They make it easy for grantees to rely on them rather than doing things that might help build a renewable resource base. After all, why be ‘self-reliant’ when you can be ‘grant-reliant’? A grantmaker who is aware of the displacement effect can begin to counteract it.

Step two: understand sustainability

Not only are sustainability issues relatively new and complex, they are widely misunderstood. Grantmakers need to become competent agents of sustainability thinking. This is not the place to set out a theory of sustainability, although a couple of preambular points might be relevant.[1]

The first point is that in taking on sustainability grantmakers cannot simply add on a new ‘programme interest’ in a modular way. Sustainability implies a fundamentally new way of investing in development that places the phenomenon of citizen self-organization at the centre of things. Seen in this light, grantmakers are not investing in the delivery of certain services, or even in non-partisan political activities (such as human rights advocacy). Rather, they are investing in a process of citizen self-organization that drives for solutions to problems.

The shift in emphasis has wide-ranging consequences. Because the principal object of the investment is citizen self-organization, the investments are by definition temporary. It is understood between grantmaker and grantee that the processes instigated are to continue on their own accord. This approach begins to resolve the paradox of investing in order to cease investing.

The second point is that organizations that serve and channel citizen self-organization coexist in an open-market-like system. Not all organizations deserve to be sustained! In a competitive system, the best organizations will be most effective in winning citizen support and therefore in realizing development outcomes. The old model – in which grantmakers artificially propped up organizations for which there was no effective demand on the ground – is thus giving way to a competitive ‘market model’. The main currency in this public interest marketplace is not money, but citizen self-organization. It is a resource that is self-renewing and potentially infinite. In my experience, the limiting factors in generating and channelling citizen support are leadership and management capacity.

Step three: talk about it

The best way to realize sustainability objectives with grantees is to talk about them,
formally, as many good grantmakers do on questions of gender and diversity in an organization. Every grant agreement should frame sustainability objectives, with indicators to track progress. For example, a grant to fund a water services organization’s community-managed household water supply programme might include some income targets. The grantmaker and grantee might agree that during the three-year period of the grant the service organization should reach the point at which all current running costs for the scheme are met by the beneficiaries (through fees or some community tax system). Further funding for the replication of the scheme elsewhere might be made contingent on achieving this target.

Once this theme becomes a regular feature of the grant negotiation, grantmakers should expect that better organizations will plan for (and request funding towards) these sustainability objectives from the outset.

**Step four: fund sustainability inputs**

The final step is to fund activities that allow grantees to become more sustainable. In fact, grantmakers who take sustainability seriously should have in place a way to fund all four ‘domains of sustainability’.

*The end benefits of social programmes*

The first domain is that of the end benefits of social programmes. Here grantmakers should only fund inputs that are consistent with two guidelines. First, all external inputs to realize a system of benefits should be sustainable. This lesson is now slowly being learned in the field of microfinance, which for too long has been hamstrung by the well-intentioned but misguided unsustainable use of subsidized credit.

Second, the levels and kinds of citizen participation should be capable of being sustained over the long term. To extend the microfinance example, the main citizen input in most microfinance programmes aimed at the poor is peer group pressure. Many microfinance programmes have demonstrated that lending based on ‘peer collateral’ is both reliable and sustainable.

*Institutions and programmes*

The second domain is that of institutions and programmes.[2] As noted above, leadership and management capacity are the main internal constraints on organizations achieving sustainability objectives. There are various activities that grantmakers can support that will help organizations become sustainable as they pursue other programme objectives.
Organizations can be helped to diversify their resource base so that a number of independent types of support are utilized, including endowments, government contracts, membership income, earned income (fees and products), general public support and unrelated business income. Grantmakers can fund everything from training in resource mobilization to the implementation of innovative fundraising or volunteer support activities. The description on page 13 of an East African madrasas pre-school programme illustrates one example from AKF’s current portfolio.

The citizen sector

The third domain relates to the citizen (or non-profit) sector as a whole, and may be the most strategic domain for grantmaker consideration. Too few grantmakers recognize that sustainability is a system problem, not merely a project or organization problem. Citizens’ organizations will become a permanent, stable part of the social order – will become viable as a sector — only when a stable resource base for the sector as a whole is secure. As it stands in most developing countries, the sector depends far too heavily and dangerously on foreign aid.

Once citizens’ organizations tap broad public support locally – through money, volunteer time, in-kind support, quasi-business sales and/or information – they will have as steady a foundation as businesses, religions, unions, political movements, the professions (such as law and medicine) and all other groups that developed and set down roots in earlier periods. Responses at this level involve putting in place resource and support organizations and programmes that will enable citizens’ organizations to build a renewable citizen resource base. Ashoka’s Citizen Base Initiative (see pp 16–17) is one example of such a programme.

The physical environment

The fourth domain is the physical environment. The guiding tenet here is the ancient dictum of the medical profession: do no harm. Social investors should only support activities that consume natural resources at a renewable rate. On the positive side, there is the burgeoning field of grantmaking to develop new more eco-friendly approaches to economic and social development.

The limits of sustainability

Grantmakers can make important contributions to solving parts of the multidimensional sustainability puzzle. But they should not expect to do it alone, do it all the time, or do it in the short term. Not every conversation about sustainability needs to lead to funding. Merely
by raising and discussing the issues with grantees, grantmakers will move things forward. Not all organizations, not even all good organizations, will be able to make satisfactory progress on sustainability issues in the short term.

The shift from dependency on foreign aid to an indigenous resource base is structural. An organization that depends on its own society for support will think and act very differently from one that plays the aid system. In these circumstances, society needs pioneers who are prepared to break the mould and mobilize new sources of support for social development organizations. Investments in such sustainability entrepreneurs will yield wide benefits for the entire non-profit citizen sector, as other organizations will quickly copy their successes. Even if nine of them fail for every one that succeeds, the overall result will usually more than justify the aggregate investment in the ten. After all, venture capitalists make healthy profits from much poorer batting averages.

David Bonbright is Director, NGO Enhancement Programmes, at the Aga Khan Foundation. He can be reached via email at david.bonbright@akdn.ch

For more information about AKF, contact Dominique Desmangles at the Foundation’s headquarters:
PO Box 2369, 1211 Geneva 2, Switzerland
Tel +41 22 909 7200
Fax +41 22 909 7291
Email dominique.desmangles@akdn.ch

1 To contribute to the literature in this emerging area, AKF Canada and several other international grantmakers have provided support to development consultant Alan Fowler to produce a book tentatively entitled The Virtuous Spiral. See box on p15 for full details and ‘work in progress’.
2 Some people separate these, but since it is institutions that implement programmes, these two effectively collapse into one.

Community endowments for community schools

The Aga Khan Foundation’s Madrasa Pre-School Programme arose out of community leaders’ disquiet about their children’s educational achievements and has at every stage relied on community involvement. Now AKF is aiming to involve the communities in establishing mini-endowment funds for each school.
The roots of the Madrasa Project lie in the mid-1980s, when Muslim leaders from Kenya’s coastal region requested help in improving educational standards. AKF-funded research suggested that the problem actually begins in the early years with the lack of adequate preparation for primary school. Although pre-school education was not widespread among Muslim coastal communities, physical facilities were available in the traditional madrasas – or Qur’anic schools – which were not used in the morning, and community leaders were enthusiastic.

Following the successful introduction of pre-school education in ten madrasas, Madrasa Resource Centres (MRCs) were set up in Mombasa and Zanzibar in 1990 and in Kampala (Uganda) in early 1993. These MRCs enter into two-year contracts with local communities wishing to set up madrasa pre-schools. The terms of partnership include participation from community leaders and members, who must elect a school committee, identify young women for training and provide a physical structure to house the school.

The next step is to ensure the long-term survival of these pre-schools. To this end, the Madrasa Programme is aiming to establish mini-endowment funds for each school to supplement fee income. Each endowment is expected to consist of funds raised by the community, matching grants from the Madrasa Programme and a grant awarded to each school that successfully completes a contractual two-year relationship with an MRC.

The strength of the Madrasa Programme clearly lies in the participation of a large section of the communities. It would be almost impossible for pre-schools to survive if they were supported only by individual parents for the year or two during which their children attended the school. But where the community as a whole sees low educational achievement as a problem for everyone, resources can be mobilized, both financial and human.

*For further information, contact Aga Khan Foundation (East Africa).*

Tel +254 2 22 73 69
Fax +254 2 21 31 09
Email agakhan@arcc.or.ke
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Author...

David Bonbright

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