Toolkit: Building a Sustainable Funding Model for UHC Hubs

Developed through ACS

September 30, 2021

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INTRODUCTION

Securing sustainable funding is a critical condition for the success of the Universal Health Coverage (UHC) Resource Hubs. Your organization may be most familiar with funding approaches in which you respond to a funders' request for proposals (RFP) and sell your capabilities to meet a need defined by the funder. This guide lays out a different approach, through which your organization will **proactively develop a funding strategy** to support your UHC Resource Hub.

Your team has already identified a need in the ecosystem and has designed the hub concept as a solution. The next step is to clarify who will benefit from and find value in the work of your hub and how these stakeholders can support the work of the hub.

Sustainable funding can be described as reliable and repeatable funding that covers the ongoing operating expenses (for more, see Carttar, 2011; Hung & Hager, 2018). Figuring out the right mix of funding is complex and there are pros and cons for both diversification and single source funding (more on this in Hung & Hager, 2018). This toolkit provides a structure for the identification and analysis of funding sources to build the best funding model for your organization.

The toolkit walks you through the different areas to consider for creating and integrating funding strategies with your value proposition. Each step lays out questions and ideas for consideration to make informed decisions about approaching a sustainable funding plan.

After completing each of the steps in this toolkit, you will be able to articulate:

1. An understanding of your organizational capacities and limitations for creating, implementing, and sustaining a funding strategy
2. A comprehensive list of potential funding streams with:
    i. Pros and cons of each
    ii. How each one links with your value proposition
    iii. What it will take to pursue any of the given funding opportunities
3. A funding and implementation strategy for your UHC Resource Hub

THE GOAL: Identify a funding model that creates a balance of both financial capacity and financial sustainability for overall financial health of your UHC Resource Hub *(for more on these concepts, see Dees, Emerson & Economy, 2001; Dees, 1998)*.

BEFORE YOU BEGIN

To prepare for the steps described below, your team should have these elements ready:

- **The concept:** what is the idea behind your UHC Resource Hub? For what is it solving and what is the solution?
- **Value proposition**: what value will your hub create once it is completely operational? Building on the concept, the value proposition describes how the hub will address pain points and bottlenecks in the ecosystem and what it will catalyze and achieve in terms progress towards UHC.
- **Target beneficiaries**: who will benefit from the work and achievements of your hub? The beneficiaries may not be the same as the funders. (But the funders will want to support the

expected outcomes for the beneficiaries.) Think about the overlap between your value proposition, the needs of the beneficiaries, and funder expectations.

- **Theory of change**: what paths and processes will lead to the change you want to make with the UHC Resource Hub? The theory of change should link your planned activities and outputs with the expected change (outcomes) and explain how they connect.

DEVELOPING THE SUSTAINABLE FUNDING MODEL

Developing a sustainable business model takes trial and error and there is no "one right plan" for your new venture. As you begin to think about how to create reliable and ongoing funding for your UHC Resource Hub, a key element to keep in mind is that **any plan you make must be flexible**.

The value proposition your team has developed for the UHC Resource Hub reflects the services you will provide, how and why these services are important. As you implement your hub model, you will learn more about what your target users actually want and value. In addition, their priorities and the UHC landscape will change over time. Your value propositions and therefore your funding plans will need to adapt to these changes.

Step 1: Building the foundation

In this section, we focus on understanding your organizational capacities, including limitations, for creating, implementing and maintaining a funding strategy. Part of this process is also assessing what your peers might be doing and the lessons you can learn from them.

Analysis of your current funding structure

To start with, you need to understand what your current funding structure looks like. The objective of this step is to **understand what your organization can and cannot do**. This borrows concepts from an ecosystems approach that seeks to understand the environment in which the UHC Resource Hubs will operate (for more on this approach, see Bloom & Dees, 2008).

TIP: As you move through each of the steps of this toolkit, you may find that you do not have all the answers at once. This process may require you to revisit sections to add, remove or adapt your answers.

Ask yourselves these questions:

1. What about your current funding strategies for other programs (aside from the UHC Resource Hub) is working well?
2. What is not working well?
3. Do you have any funding gaps that you need to fill?
4. When are your current funding sources ending? Do you have several sources ending in the same timeframe?
5. What percentage of your current sources are ending within the next year?
6. Are your current funding sources aligned with your organization's strategic plan (including the mission, vision, and values)?

Reflecting on these questions should help you identify key aspects about your current funding strategies: which ones are worth continuing to pursue, which aspects may need to be adapted, and which should be

abandoned all together. The next sequence of questions will help you to expand on your answers to provide even more context for the UHC Resource Hub.

Who needs to be involved in the conversation?

It is easy to make funding strategy decisions as a small program team. However, it is likely that other individuals or groups need to be included in the decision-making process. This may include other people within the organization, external partners who are involved with your UHC Resource Hub, advisors or mentors, or any other individuals or groups you deem appropriate.

While you are pursuing funding for a specific service, in this case the UHC Resource Hub, there are implications for the organization as a whole. For example, how will this funding fit in with your organization's broader funding portfolio, and should others in the organization be engaged to ensure alignment? Are there key decision-makers in your organization, like a director or board members that need to be included, or at least kept informed? Are there key partners in this venture that you need to include? Think about the competencies you need to build the funding strategy: do you have the right skills and competencies on the team to understand the funding landscape and connect with the right partners? If not, what is needed?

What are possible timelines you have to consider?

Another consideration is timeline. Timelines are important for planning, especially for complicated or long-term activities. Identifying dates for the start or finish of activities and tasks can help keep things on track, as well make participation of key stakeholders easier. Think about the timeline of the UHC Resource Hub project overall and when you want to see certain things happen. What are possible timelines, both internal external, for funding and reporting cycles that might be relevant to the UHC Resource Hub? timelines for deadlines, applications, and reporting.

Questions to consider:

- Are there specific deadlines that you have to meet?
- Are there key dates that your organization has in relation to its fiscal or reporting responsibilities?
- Are there any external deadlines (these may include national budgetary or policy cycles, or strategic timing around release of international reports on UHC)?

What are your peers doing?

While internal reflection on your own organization's capacities is important, it is also helpful to understand and observe your partners and peers in the field. Your peers may be doing similar work and you could learn from their funding approaches, for example who is funding them, and whether that funding source is already exhausted or if they are expanding. Additionally, you may even identify new partners for your work on the ground!

Questions to consider:

- Which other organizations are doing similar or complementary work?
- Are they potential partners and/or are you competing for similar funding?
- What are these other organizations' funding strategies, e.g., who is funding their work and what mix of funding do they have?

How will you assess and update your funding strategy in the future?

This will be key as you continue to create and adapt your funding plans. Understanding your current funding structure and funding environment is only the start. The non-static nature of your funding strategy

means you need to build in metrics and processes to understand how you are meeting your goals, what sort of impact your strategy is having, and consequently what changes you may need to implement. Step 5, "Sustaining the momentum," provides detailed strategies for this.

The next steps focus on identifying and critically assessing the funding opportunities and their fit. This process is ongoing, and part of your funding strategy needs to include a plan for adaptation.

Step 2: Balancing revenue streams

In this section, we begin the process of identifying possible sources of funding. Included are key questions and considerations to think about when approaching any given source of funding. **The objective of this step is to identify a comprehensive list of funding streams with**:

1. Pros and cons of each,
2. How each links with your value propositions for your intended beneficiaries, and
3. What it will take to pursue any of the given funding opportunities.

Distinguishing different funding sources and types

Diversifying your funding model can mean drawing on more than one type of funding source. Use the table below to list potential sources of funding and assess the level of diversification overall. Keep in mind that there is no right answer for how diversified your funding strategy should be. In the following sections, you will consider balancing aspects such as funding timelines, restrictions, and fit with mission, which will help your team identify an optimal mix.

Table 1. Mapping funding sources and types

		Funding Types					
Funding Sources		Grants	Contracts	Cooperative agreements	Sponsored research	Earned revenue	Donations
Public sector	National						
	District/Local						
Development agencies							
Corporations							
Social sector	Philanthropy						
	Universities						
	NGOs						
Individuals	Customers						
	Donors						

(For more on funding sources and types, see Nash, 2021; Ibrisevic, 2020.)

Assessing the fit of different funding options

When looking at the different funding sources and types, keep in mind your value proposition and your organizational capacities. This will give you a better idea of which funding sources are worth pursuing versus those that are not. If part of your value proposition is to have freely available information for anyone who wants it, then a pay-for-service funding strategy is likely not the best fit. Or if a funder is requiring frequent and lengthy reporting requirements and you do not have the staff time to meet these requirements, then you may be setting yourself up to be overwhelmed with too much administrative burden.

Questions to consider:

- What are the pros and cons of each funding source for your organization? Start summarizing the already known pros and cons and then see the next section "*Issues to consider*" for additional ideas to help generate this list.
- How do the funding sources align with your value proposition for the beneficiaries of the UHC Resource Hub?
- Are your beneficiaries also important to the potential funder?
- Are there any issues e.g., legal or political barriers, that would limit or bar the funders you have identified from funding the work?

It may help to put all this information together in another table so that you can more easily see (and share with others) the potential fit of each funding source under consideration.

Table 2. Funding fit assessment (example)

Funding source	**Funding type**	**Pros**	**Cons**	**Alignment with value proposition**
Public (Ministry of Health)	Contract	Direct tie-in with key beneficiary	Funding renewal is unreliable	High
Social sector (Philanthropy)	Grant	Large amount of funding, aligned with Hub concept	Strenuous reporting requirements	High
Corporations	Grant	No restrictions on use of funding, light reporting requirements	Funder goals not a strong fit with Hub goals but some overlap	Medium

While developing your pros and cons list for each potential funding source, keep the following aspects in mind.

Table 3. Key considerations

Restrictions on use of funds	• Are there any restrictions on how and for what the funds will be used for? • Will these restrictions interfere with your hub's theory of change and operational plan?
Seasonality of funding	• What is the timeline of the funding? • Does it repeat in a consistent cycle? • Are there specific seasons in which it is not available?
Time and effort in receiving funding	• What is the expected length of time from proposal to money in hand? • How much effort is required to apply for the funding?
Reporting requirements	• How frequent and strenuous are the reporting requirements? • Will the reporting require development of new data collection and monitoring tools? If yes, will the new funding cover the development costs or will your organization need to make this investment to attract the funds? • Does your organization have the capacity to meet the reporting requirements, and in a timely manner?

Funding for indirect costs	• What are the indirect costs of the UHC Resource Hub (considering administrative staff support, office space, telecom expenses, materials, and other overhead expenses)? • Are there restrictions on types of expenses that the funder allows under indirect costs? • What percentage of the funding source can be used for indirect costs, and is this enough to meet the hub's needs?
Risks and mitigation	• Are there known risks (e.g. financial, human resources, legal) for pursuing this funding stream? • What kinds of mitigation strategies can you implement to offset the risks? • Is there a significant opportunity cost to pursuing this funding stream? For example, if you use your resources for this, will you have to neglect another opportunity?
Fit with mission and vision	• Money can be hard to turn down, but it is important to consider the expectations that come with any funding source. • Does the money support the value proposition of the hub? • Could it lead to "mission drift" and pull you away from achieving the primary goals of the hub? • How well does this funding stream align with your larger organization's mission and vision?

TIP: Know your strengths and weaknesses. This step is all about identifying your options and then deciding what will, or will not, work for you.

Step 3: Testing your funding model and critical assumptions

Now that you have gone through Steps 1 and 2, you should have a clear idea of what funding sources are available and how they align with your value proposition. With this information, Step 3 takes you through how to test any hypotheses and assumptions you may have made. At the end of this section, you will start narrowing down the sources and types of funding you want to include in your funding model.

Table 4. Key questions to test your assumptions

Who is receiving and who is paying for the service	• Who is your target beneficiary? • Who is paying for the Resource Hub? • What is the relationship between these two entities, if any?
Profits and pricing	• Can your organization cover costs by selling the work of the UHC Resource Hub as a service? • Are different groups willing/able to pay different prices? • Is the UHC Resource Hub helping you generate more income? In other words, are you expecting the Hub to make a profit, beyond its operating costs?
Add-ons and other offerings	• Are there any additional add-on features or components that could generate increased value of the UHC Resource Hubs? • Would these additional features cost more? Could they attract more funding opportunities? • How might they align with your value proposition?

Stage	• Who are the best financial resource providers for this work at this stage of the venture? • Are there potential funders who might act in tandem, or who might form a coalition of funders for the hub, especially at the start-up stage? • How might identified funders change or adapt as the hub evolves? • Consequently, how might your financial resources and funding strategy need to adapt over time?
Other resources	• What non-financial resources are required? In particular, do you have the right and sufficient human resources? • What kinds of additional resources are needed to support your UHC Resource Hub? Do you need them now, or in future stages? • How do the different funding resources you identified cover or not cover these additional costs?
Partners	• Who might be the best allies and partners for your UHC Resource Hub? How might you work together or share resources (both financial and non-financial) to ensure the sustainability of your UHC Resource Hub? Are any of the peers you identified in Step 1 a good fit? • Will any of these partners also be competing for the same funding? Can you make a stronger case to a funder if you combine as partners versus applying individually?
Competition	• What competition currently exists or might arise in the future? • What is your advantage over others? Be as clear as possible in terms of the diverse advantages you may have: are you the only ones doing this work in your region? Do you have access to key influencers on this type of work? Do you have a proven record of accomplishment?

TIP: What happens when your identified "receivers" of your service do not perceive your service as a "need"? What additional steps should you consider to generate interest in the service you are providing? We recommend that your organization **include advocacy and demand-generation work in the associated costs of hub development**.

Growth, and scale of your funding model

It is important to consider what growth and scale looks like for your UHC Resource Hub. What does successful scale look like, how are you defining success, and what kind of timeline do you envision for this? Each step thus far should have narrowed your possibilities for funding mixes, identifying the pros and cons of any given source and type of funding and thinking through any assumptions you may have made. With that information, you also want to think about the balance between what your sources of funding may expect in terms of growth and scale, and what you are expecting, within specific timeframes.

Selecting sources of funding to pursue

There is no "correct" number of sources for funding to create a sustainable funding model. **The goal of the steps in this toolkit is to develop the knowledge base you need to identify the best funding streams for your UHC Resource Hub**.

A recent meta-analysis of the literature on revenue diversification for nonprofits identified these key pros and cons for revenue diversification with consideration to both the short term and long-term effects on financial health (Hung & Hager, 2018).

Advantages of funding diversification:

1) Ability to offset increases or decreases in any given funding stream (e.g. losing one funder will not close down your hub)
2) Autonomy of the organization as it is not wholly dependent on one source
3) Income and growth potential due to possible increased revenue flow from diversification
4) Community connection and embeddedness as a result of increased exposure to different groups

Disadvantages:

1) Increased complexity and risk; engaging with too many sources of funding (and their different reporting timelines and requirements) may be difficult to maintain
2) Other funders may have a perception that you already have "enough" funding
3) Increased administrative costs as a result of the increased time, personnel and money commitment that running multiple funding sources may require (client management can be costly!)
4) Private funders may be less interested once public funding is obtained if they perceive that such funding will cover all the needs of the project
5) Mission drift can arise as a result of taking on funding that requires tasks that shift away from the organizational mission.

Having gone through all the steps so far in this toolkit, the question to ask now is: what kinds of funding opportunities are most appropriate for your organization to pursue at this stage of your UHC Resource Hub? And secondly, what limitations or benefits exist with mixing certain funding streams together?

TIP: The goal is to generate a funding model that enables you to get **reliable and consistent funding**.

Step 4: Implementing your funding strategy

Going through all these steps will not mean anything if you do not also figure out how you are going to implement your funding model.

Who is going to implement the strategy?

Much like identifying a project manager to keep projects moving along, you need to identify the key people who will keep the funding strategy moving forward. Who in your organization is in charge of pursuing funding? Who are the different players needed to pursue any given funding stream? Think back to Step 1 where you identified all the different players that needed to be involved in this process.

When is the strategy going to be implemented?

Now that you have gone through the process of identifying your funding model, when do you intend to start the process? Once again, think about who may need to be involved and at what level and when in the process. It may be helpful to let others in the organization (e.g., leadership or board) know what you are doing even if you do not expect them to have a role in the actual process. Keep in mind that while you

may begin the process of implementing your funding model as soon as tomorrow, it will be an iterative process and implementation will be ongoing.

TIP: Strategy is 5 percent thinking, 95 percent execution. You have to go ahead and start implementing **and** monitoring to know what works and what does not.

Step 5: Sustaining the momentum

Funding models are not static. You will need to identify procedures to monitor your funding model and reflect on how well it is working. The steps of this toolkit can help you in this monitoring process as you continue to evaluate funding sources and test your related hypotheses and assumptions about how these funding sources will work for your organization and your UHC Resource Hub.

Monitoring success

The same way you monitor your programs, you also need to think about performance measurement as a means to monitor the success of your financial strategy. Performance measurement is a constant process that requires you to collect data and reflect on what is or is not working (for more details, see Carttar, Lindquist & Markham, 2015).

To establish a monitoring process, you will use much of the same information you have already explored and identified in this toolkit. You already know the objectives of your UHC Resource Hub (through your theory of change), and have developed a funding strategy you want to pursue. Now you need to identify what kinds of metrics, or key performance indicators (KPIs) you want to collect to measure the funding strategy.

Your first step is to understand and define what success looks like. What does success of your funding strategy look like? Different funding strategies may have different definitions of success based on what you want to see from each funding source. Think about your timelines: what do you want to have achieved in the short, medium and long term? Were all your operating costs met? Did you identify a funding mix that covered all the associated costs of running, maintaining and scaling your UHC Resource Hub?

Your second step is to determine which KPIs you want to track to measure your success. KPIs are specific metrics that will provide you with relevant data for understanding how well you are doing in meeting your objectives and therefore what changes you need to make (Haber & Schryver, 2019; *Nonprofit fundraising metrics, 2015).* A good strategy to begin identifying relevant KPIs is to consider different stakeholders. Interests and judgement on success will likely vary depending on the stakeholder. Which metrics will be important to your board, staff, potential donors, and other relevant groups?

Some measures, like number of donations secured or amount of money brought it, are likely ones you already have. The table below breaks down possible categories of metrics and KPIs (adapted from Haber & Schryver, 2019; *Nonprofit fundraising metrics, 2015).* This is not an exhaustive list, there are many possibilities for KPIs depending on what you want to know and track.

Table 5. Possible KPIs by metric category and key considerations

General metrics	**Donor relationship metrics**	**Giving level metrics**	**Engagement metrics**
- Cost per dollar raised - Fundraising return on investment (ROI) - Conversion rate - Gifts secured - Total expenses - Salaries and benefits - Grants to other organizations - Supplies and travel - Fundraising expenses	- Donor retention rate - Lapsed donors - Donor growth rate - Donor lifetime value - Number of donors by type - Donor acquisition cost (tied with fundraising expenses in "General metrics")	- Average gift size - Average giving capacity - Average gift size growth	- Frequency of contact with donors - Fundraising participation rate - Asks made
You will want to consider the questions below to get a better feel for what is logical and feasible to measure:			
Who	Who will collect the data, and what is your organizational capacity to do so?		
What	What you are measuring and what data needs to be collected?		
When	When (and how often) should data be collected?		
Where	Where can the data be found?		
Why	Why did you select this KPI?		
How	How will it be measured?		

As with your fundraising strategy, your measurement processes are also not static. KPIs can change, or new ones can be added as new information becomes available. Having metrics in place will help you iterate and continue to refine your funding strategy to achieve your goals.

Toolkit adapted from

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