

Grant Fundraising Guide

Accion Venture Lab

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ACCION

Investing in individuals.
Improving our world.

Agenda

- Overview

- Process

- Other resources

There is increasing opportunity for social enterprises to obtain grant funding

THE SITUATION

- You're **testing a new product, expanding to a new market, or launching a new program**, but need funding
- It's too early for you to raise equity funding and you won't qualify for debt funding, but grant funding **could provide you with the capital that you need** to get this off the ground















THE OPPORTUNITY

- Although grant funders and foundations typically fund nonprofits with a 501(c)(3) status, **foundations are increasingly offering grant funding to social enterprises** – for-profit companies with strong social missions, particularly fintech for financial inclusion companies

THIS RESOURCE

- There are **some critical differences for securing grant funding** versus other business fundraising options
- This resource is to help you **determine the kind of grant funding you may need and how to develop a successful grant proposal**

Private foundations and corporations are generally the best fit for fintech startups

Funder type	Description	Examples
Government	<ul style="list-style-type: none"> Grants from government agencies, including workforce agencies 	  
Private foundations	<ul style="list-style-type: none"> Charitable organizations typically funded by a few private sources and legally required to distribute 5% of its income per year 	   
Family foundations	<ul style="list-style-type: none"> A subset of private foundations; typically the contributing family is very involved in grant decisions 	 
Public foundations or networks	<ul style="list-style-type: none"> Grant-making public charity that can range from faith-based organizations to hospitals 	 
Corporations	<ul style="list-style-type: none"> Corporate-funded foundations, or direct-giving programs or internal groups 	 
Intermediaries	<ul style="list-style-type: none"> Organizations that re-grant out the money that they fundraise 	
Individuals	<ul style="list-style-type: none"> Individual donors who believe in mission 	Family & friends

Grants are best for discrete projects at early-stage companies

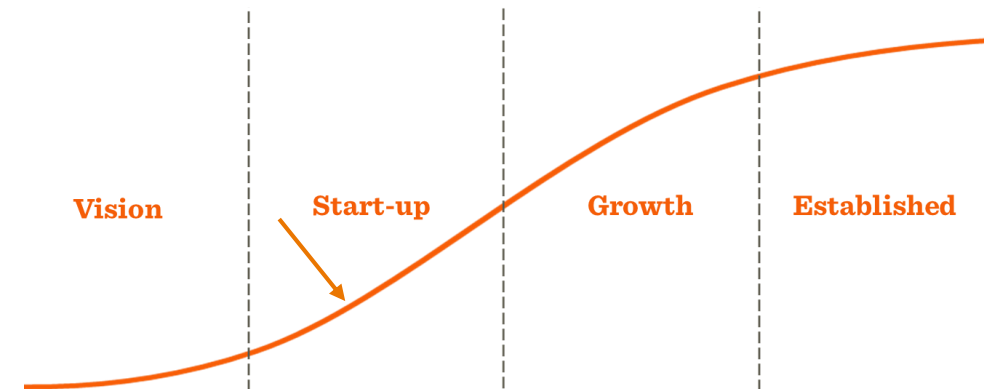
WHAT GRANTS ARE GOOD FOR

- Foundations like to **track and see end-to-end progress**
- Grants can be a good resource for:
 - **One-time expenses** associated with launching a new product
 - **Short-term projects** that can be completed within a predictable period of time
 - **Seed funding for ongoing programs** that can be funded through other means in the long-term
- Because grants end, they are **not a good choice for funding programs that your company cannot support in the future**



WHO GRANTS ARE GOOD FOR

- Your company will be eligible for more grants **if you apply before you are generating returns***
 - Most foundations restrict grants to **pre-breakeven companies**, which tend to be seed stage or early stage companies
 - Later-stage companies can raise grants to **cover high costs from providing high-impact services to underserved consumers**; however, there are fewer of those grants



You must first decide if it is worth pursuing grant funding

ADVANTAGES

Business strategy	<ul style="list-style-type: none">• Grants provide an opportunity to develop new strategies, innovate and test new products or business models, and expand to new markets• Grantors may provide advisory services, access to global or specialized networks, and influence with governmental and industry stakeholders
Company financials	<ul style="list-style-type: none">• Grants do not have to be repaid• Receiving a grant does not mean surrendering equity
Industry engagement	<ul style="list-style-type: none">• Receiving a grant from a high profile organization can increase the visibility and credibility of your company• Obtaining a first grant can increase the likelihood of receiving future grants and can signal external votes of confidence to future investors

CONSIDERATIONS

Timeline	<ul style="list-style-type: none">• Research and relationship-building is a time-consuming process that ranges from six months to a year• Grantors can be bureaucratic and inflexible
Feasibility	<ul style="list-style-type: none">• Limited funding and high competition means low success rates• Grants are generally limited to pre-breakeven companies*
Resources	<ul style="list-style-type: none">• Grant applications and management require a dedicated resource who has grant-writing experience and sufficient bandwidth
Governance	<ul style="list-style-type: none">• Grant funding often comes with guidelines or restrictions on business activities that may not accommodate shifts in company strategy• A potential grant funder may scrutinize aspects of your company and suggest recommendations that are not aligned with the mission or trajectory

Note: * see appendix

Source: KPMG Private Sector Grants (2017)

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It is important to have a plan – and a dedicated point person



Key considerations involve **timeline and capacity**:

- Grant fundraising can take **~6-12 months before anything is awarded**, so plan accordingly
- Make sure that your team has enough **internal capacity & the key skills** needed for grant making (e.g., strong research, interpersonal & writing skills)
- **Assign a point person** to the process to maximize efficiency and streamline communication:
 - Tasks will include coordinating of the overall proposal development, communicating with potential funders & making sure that all different pieces of input are brought together in a consistent & coherent text.
- Ensure that you understand **how your business model will work with grant capital** *before* building your grant fundraising strategy

Begin by building out the main elements of what will become your grant proposal

1 Identify

- Identify and prioritize your key business activities
- Link them to specific impact outcomes
 - *E.g., marketing initiatives can drive consumer awareness, capacity building and trainings can improve talent and local leadership, product pilots can test market-fit with underserved and vulnerable populations*

2 Categorize

- Group the impact outcomes that are most relevant to your company
 - *E.g., financial inclusion, increased savings / revenue, improved livelihoods for women and children, job creation*

3 Assess

- Determine budget and timeline necessary to achieve the outcomes of your key business activities
 - *Larger grants may cover multiple activities while smaller grants may only cover one activity – better to be as comprehensive as possible here, so you can cherry pick per grant type / donor when you begin to submit proposals*

For institutional donors and family offices, have a concept note prepared

Purpose

- **What it is**

- Many **institutional donors and family offices**, who do not put out “requests for proposals” or specific applications, require companies to submit funding requests through a **concept note, which is a brief outline of your proposed project.**

- **Why it’s important**

- A concept note gives a **framework of your project**, so that the donor can assess whether the project is aligned with its funding priorities. A Concept Note enables donors to offer suggestions to the applicant before spending time on a full proposal.

- **When you don’t need it**

- Many foundations do not require concept notes, but rather have a standard application form that they provide, so make sure to review their funding process first
- There are also times when a short email to a foundation, high net worth donor, or company’s CSR arm will also be enough to land a meeting; do not discredit the value of these opportunities to request for additional funding

Sample concept note outline

- **Title**

- **Background:** Identify and describe the problem:

- ▶ Why it is crucial to address the problem identified?
- ▶ What has already been done to solve the problem and where do challenges remain?
- ▶ How is this business uniquely suited to address those challenges?

- **Objectives:** What will you achieve through the grant funding?

- **Outputs:** Tangible deliverables of funding. Should be directly related to the business objectives. E.g.: # of clients subscribed for a product/service.

- **Activities & Duration:** a summary of activities to achieve the project objectives

- **Customer Segment & Impact:**

explain the added-value of what your organization will achieve with the funding. This includes:

- ▶ Target customers
- ▶ Present expected benefits in milestones (quantitative & qualitative)
- ▶ Timing & location
- ▶ Underlying assumptions & the reasons why these benefits can be expected;
- ▶ Method of how & by whom the impact output metrics will be assessed.

- **Budget:** Can be high-level, but include the ask amount and the total budget of the project.

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After establishing your funding priorities, you can start researching prospects

1

Create preliminary list

- Ask your network if they have any recommendations for donors to include
- Use a donor database to sort potential funders by areas and markets of focus as well as the target outcomes and themes you initially mapped
 - Refer to the list of databases & directories in appendices for potential search engines to use)
- Conduct a competitor and peer-peer analysis to know the funding landscape of your industry (e.g., who has funded competitors or other companies in your market and how much)

2

Prioritize prospects

- Refine prospect list into a pipeline based on:
 - Funding amount
 - Application process & timeline
 - Reporting requirements
 - Level of donor engagement (e.g. highly engaged donor or more low touch)

3

Begin outreach

- Prepare to send emails to potential donors, with the goal of scheduling a call or meeting
 - Open with a direct address using the donor's name
 - Give a brief background of yourself and your business (e.g., include a shortlist of your most impactful stakeholders, press releases, product impact or results, key metrics, customer testimonials)
 - Use the email body to summarize your concept note in 2-3 sentences (e.g., this will help to grab the donor's attention but should not include too much text or too many attachments)

If you don't qualify, don't apply; being focused and strategic in your search is better than casting a wide net

Example: Outreach email to cold lead

Format

- **Salutation:** Use the person's name
- **Company information:** Briefly introduce yourself, your position, and your company.
 - Provide key information about what the company does being sure to tie your main activities with the donor's key funding priorities
 - Include a link to your website
- **Current position:** Include key information about funding and traction to date.
 - List key investors or partners, key data points (# of clients, geographical area, etc.), key statistics of your customer segment
- **Funding priorities:** Briefly describe the business opportunity you've identified, your strategic business plan, and the reason why grant funding is key to achieving your business goal.

Example

For illustrative purposes, the example below is a cold email from a microloan fintech company called ACME to seek funding from WomenEMP Foundation focused on empowering women in Africa.

Dear Mrs. Puth,

I am the CEO of ACME, a company dedicated to meeting the financial needs of vulnerable women and those otherwise excluded from economic opportunity in South Africa. Using proprietary data analytics and digital outreach, ACME has to date successfully provided micro loans to over 10 thousand women entrepreneurs in the Johannesburg area. We have seen that access to a range of quality financial services, provided at affordable prices, delivered with convenience and dignity, can change the course of a woman's and their family's future. We endeavor to not only deliver excellent service, but to also demonstrate the promising business opportunity in this sector by establishing a solid earnings track record.

ACME has benefited greatly from the funding of one hundred thousand dollars that the XYZ Foundation provided to help us launch our business in Johannesburg. Over the next five years, we plan to expand ACME's services to reach 20 thousand entrepreneurial women in rural South Africa, who currently lack access to affordable and reliable credit. However, to reach this next stage, we recognize that our initial capital needs will require additional support.* Given the recent work that WomenEMP has done in the region for women and specifically, your ambitious goal of helping to empower one hundred thousand women in Africa, we believe that our interests are solidly aligned. Your financial support can help ACME to realize this next stage of expansion and subsequently achieve a sustainable, profitable growth path. We would welcome the opportunity to discuss how we can work with you to drive significant social change and achieve greater economic opportunity for the women of South Africa. Please let me know if you have availability over the next week.

Best regards,
John Smith

**In this section, state the need. Eg: Test new products/business models for a marginalized community – such as expanding your business development team, up-front costs for innovation, long timeline on ROI.*

With successful leads, come prepared and be focused in your pitch

- If you are able to secure a call or meeting with a prospective donor, be sure that you are **prepared and ready to put your best foot forward**:
 - Begin by asking questions about the donor's philosophy
 - Listen carefully to understand where the funding is coming from and what their agenda is before making your elevator pitch
 - Pay attention to key information that they give you to determine what about your business and its mission may resonate with the donor
 - Tailor your pitch by either highlighting or minimizing certain aspects of your presentation
 - Be prepared to explain the rounds and types of funding you may need (e.g., initial vs. multiple rounds; subsidy vs. debt vs. equity)
 - Follow up with your donor promptly after the meeting with a customized concept note that will appeal to their organization

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The proposal is the core of your grant application

- If you've submitted your concept note and have been asked to submit a proposal, you're one step closer to securing grant funding, but **there's still work to do** and *more* time is often required when you get the green light to write the proposal
- Some things to keep in mind:
 - Avoid jargon & explain any necessary technical terms
 - ▶ Concentrate on your business' strengths, the opportunities, & the desirable outcomes
 - Format your proposal to make it easy to read with short paragraphs, bullet points, bold text to emphasize key features, headings & subheads to effectively break the proposal into different parts
 - Include references with facts & figures to show you know the problem & urgency for a solution
 - ▶ Provide evidence that your business has the best approach to address need in the market and return positive net income over time
 - Ask someone unfamiliar with your business to review & assess your proposal for clarity
 - **PROOFREAD!**

Proposals usually follow a specific format

Executive summary: Statement of your case & summary of the proposal

- 1 page
- **Problem:** Brief description of the problem & how your organization is prepared to address it
- **Solution:** Short description of your unique business model where/target consumers
- **Goals:** Grant funding needs to achieve business goals (e.g., expanding into a new market)
- **Leadership:** Company information & bios of key team members

Statement of need:

- 2 pages
- **Market need:** What market need does your company address?
- **Theory of change:** Comprehensive description & illustration of how & why a desired change is expected to happen in a particular context

Project description:

- 3 pages
- **Overview of business:** Description of business model and key short term goals

Conclusion:

- 2 paragraphs
- **Conclusion:** Summary of proposal's main points

Appendix 1: Company Information:

- 1 page
- **Additional Information:** History & governing structure

Appendix 2: Budget:

- 1 page
- **Budget:** Financial description of the project

The budget section is the most important

Best practices

- Unless a budget template is provided, it is best to **keep it simple**
 - If you receive the grant, **you will be reporting against the line items you capture** in your budget
- Having a **clear but comprehensive structure** will make it easy for funders to assess your budget
 - Project activities tend to be more attractive to funders than just operating expenses, so be sure to highlight these
 - Be sure to include all costs to **complete the project and manage the grant**, such as:
 - ▶ **Operating costs** (e.g., additional hires, hiring costs, trips, % of an employee's time spent directly on the project)
 - ▶ **Reporting and M&E costs** (e.g., impact evaluation costs, financial reports, external audits)
 - ▶ **Marketing costs** (e.g., press releases or material to showcase your partnership – usually 3-5% of the total proposal budget)
 - ▶ Most foundations give an allowance of 10-15% of the budget to be used towards overhead
 - Budget for **unexpected expenses, but do not over budget**
 - ▶ Once you are granted funding, you generally can't ask for more to achieve the same results originally proposed
 - ▶ Not spending down a grant can also hurt your relationship with the donor and potential for follow-on funding
- Understand that **most donors will not cover the full proposal**, so the project-based structure is especially helpful in that it allows you to approach separate donors for each project

Example

Click [here](#) to download our Excel template.

Donor XYZ			
Company's name			
REVENUE CONTRIBUTION		Total (USD)	% of Project Total
Your Company		35,000	21%
Donor ABC		31,018	19%
Donor XYZ		100,000	60%
TOTAL CONTRIBUTION		166,018	100%
REVENUE			
Sales	Units	Price	Total (USD)
Products	100,000	30	100,000
PROJECT COSTS			
Labor	LOE	Daily Rate	Total (USD)
Managing Director, Product Development	7	1,500	10,337
Managing Director, Sales	12	1,500	18,000
Sales Representatives	30	1,000	30,089
Donor Reporting	4	500	2,000
Total Labor Costs			60,425
Professional Fees	Days	Daily rate	Total (USD)
Product Design Consultant	1	16,000	16,000
Impact Evaluation	Lump Sum		5,000
Communications Expenses	Lump Sum		4,000
Total Professional Fees			25,000
Travel	Number of Trips	Cost Per Trip	Total (USD)
Staff Travel	8	2,800	22,400
Product Design Consultant	3	2,700	8,100
Total Travel Costs			30,500
Other Expenses	Units	Cost	Total (USD)
Software Expenses	Lump Sum		35,000
Total Other Expenses			35,000
TOTAL DIRECT PROJECT COST			150,925
OVERHEAD (10%)			15,093
TOTAL PROJECT COST			166,018
PROFIT/LOSS			(65,988)

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If you are awarded a grant, you can negotiate the award

- As with any other contract, once your proposal is approved, **there is room to negotiate**
- First, **review the contract thoroughly** for any restrictions and requirements by the donor
- Second, **identify areas where you want to push**, such as:
 - **Milestones and timing:** ensure that you have some flexibility in delivering to manage expectations
 - **Reporting requirements:** be careful of overly cumbersome donor reporting requirements. Propose fewer reports (biannual versus quarterly) and substitute with calls or other ways to engage with the donor
 - **Final award amount:** there may be less wiggle room here, but it does not hurt to propose how additional funding could be even more trajectory changing and drive more impact.
- Finally, once the award and terms are finalized, schedule a call to discuss with the donor **how they would like to be acknowledged** for their contribution to your company
 - Be sure you understand how you should reference the donor in any press releases
 - They may require content approval before it is published

Have a plan for managing and closing the grant

- Best practices include:
 - Be sure to **engage with your donor frequently** about your achievements and inform them in a timely manner if you encounter challenges with the business plan
 - ▶ Regular communication will keep your company top of mind for the donor to increase likelihood for follow on funding from the donor or others in the donor's network
 - **Regularly track deadlines, metrics, and deliverables**
 - ▶ Timely reports back to the donor helps with the donor relationship
 - ▶ Be sure to establish benchmarks at the beginning for any impact metrics, then regularly measure against them
 - ▶ Keep organized records of expenditures relating to the grant
 - Throughout your conversations with the donor, you should have a sense of **the donor's strategy and willingness to provide follow-on funding**
 - ▶ If you require more funding, make the case for why your company will need to rely on additional grant funding, and update your proposal and budget projections
 - ▶ If you notice the donor's strategy has evolved, be prepared to negotiate how you can still help them accomplish their fundraising goals, for example, reaching a new customer segment, or region
 - When you've completed the grant, **share how the grant allowed your company to move to the next stage**

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Resources

- [REDF](#)
- [Social Good Impact](#)
- [KPMG](#)
- [CGAP](#)
- [Foundation Center](#)
- [Philanthropy News Digest](#)
- [Catalyst Fund](#)
- [ANDE](#)
- [Venture Capital for Africa \(VC4A\)](#)
- [Devex](#)
- [Gates Foundation](#)
- [Scorecard of Public Sector Institutions](#)

Grant funding is appropriate for early stage, pre-breakeven companies

