The Toolbox

The tools and approaches guiding RFF's New Tools Initiative

Radical Flexibility Fund

At Radical Flexibility Fund our mission is to accelerate durable social- and development outcomes, placing community generated priorities at the heart of change. We have spent several years researching and understanding which financial tools and approaches already exist, and their application that can help to fund this change.

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Tools & Approaches

Our toolbox of financial instruments goes beyond grantmaking as the default funding mechanism. We have identified 30 tools and 7 approaches relevant for financing local social change organizations.

Tools

Tools are instruments that gets money to people and organizations

Approaches

Approaches describes ways of engaging with people, organization or tools

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Tools vs Approaches

Below is an example of how to think about these two categories. Tools are the "what" and move resources – generally financial – from point A to point B. Approaches are the "how" this is done.

Tools

- Grants
- Result Based Finance
- Loans
- Earned Income

Approaches

- Participatory Grantmaking
- Blended Finance
- Pooled Funds
- Blockchain

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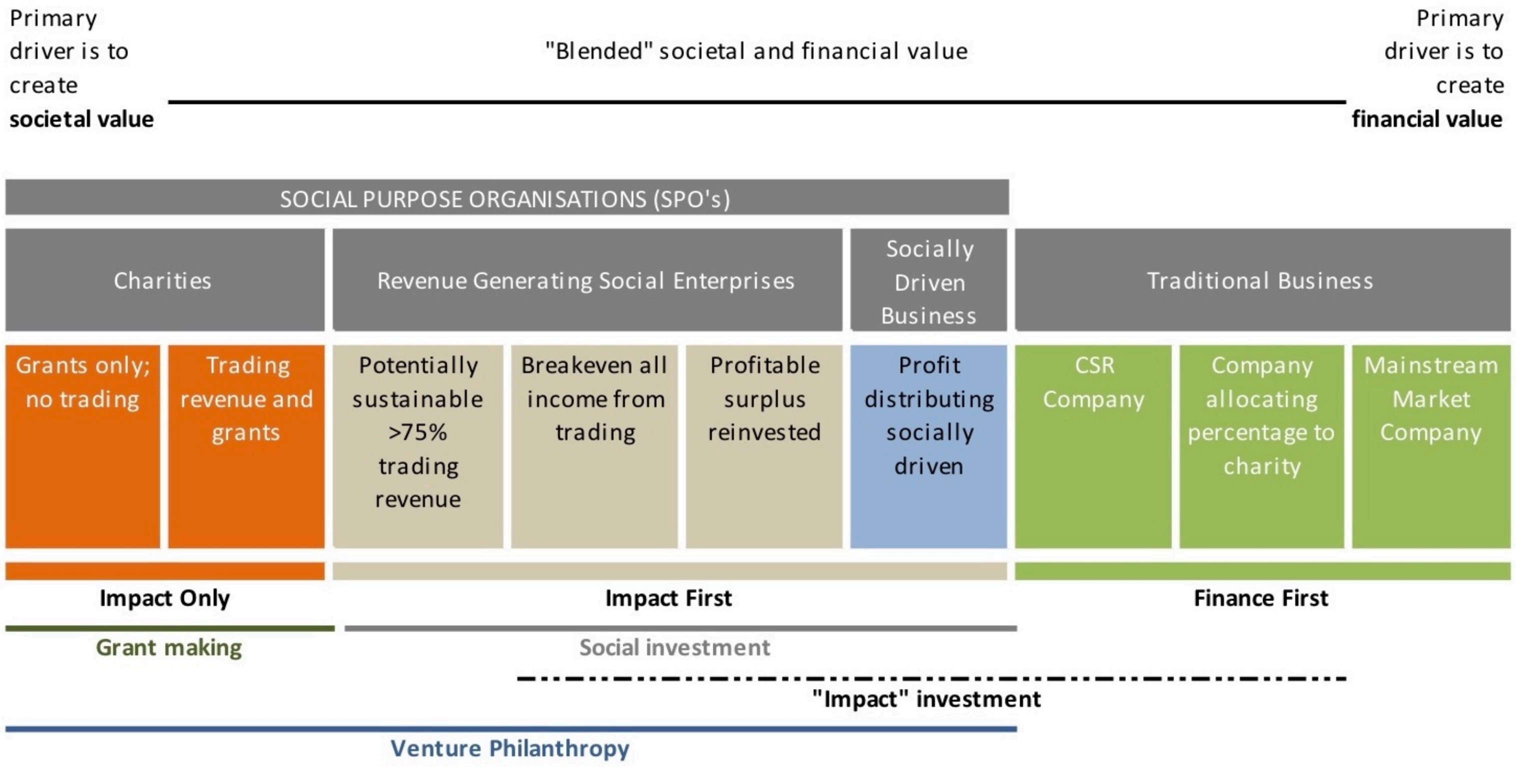
Impact First vs Finance First

One way of understanding and categorizing these tools is by using the investment spectrum related to impact versus finance first.



Source: European Venture Philanthropy Association, *European Venture Philanthropy Association: An Introduction* (European Venture Philanthropy Association, October 2011), p. 5, http://evpa.eu.com/wp-content/uploads/2010/08/EVPA-Introduction-October-2011__2.pdf, accessed October 2011.

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How does this relate to local organizations?

With the examples below, we can see how both donors and local organizations can use this investment spectrum to select the appropriate financial tools to meet their priorities, whether they are seeking to create impact only, create a financial return, or a combination of the two.

	Impact Only	Impact First	Finance First
1.		Program Related Investments (PRI)	
2.			Convertible Grants
3.	Grants / Cash Rewards		
4.		Recoverable Grants	
5.		Forgivable Loans	

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Non-Financial Resources

CBO Resources

- Social capital
- Cultural competence
- Geographical knowledge and presence
- Existing networks
- Human resources and volunteers
- Board membership

In-Kind Support and Capacity Building

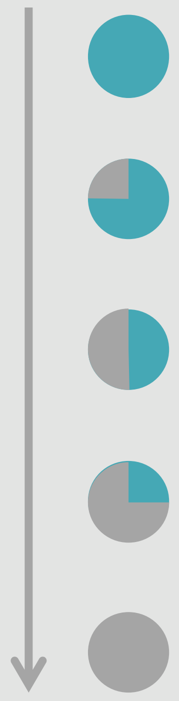
- Technological experience / training
- Governance support / Board development
- Strategic planning and impact strategy
- Financial management
- Fundraising support

Network and Partner Resources

- Network building
- Visibility
- Social capital
- Collective advocacy and movement building

How do we assess these tools?

Beyond identifying and researching each tool and approach's specific opportunity and limitation in funding local social change Radical Flexilbity Fund has developed four overarching considerations aimed at incorporating our core values into the assessment of the financial tools.

Considerations	Assessment	Key
Agency	The tool affords the local organization agency over the money raised/earned	Easy
Ease of acquisition	The acquisition of the tool requires limited resources (financial, human, etc.) and is readily available for the local organization	
Ease of implementation & administration	The tool is easy to adopt and implement and requires limited reporting and administrative burden	
Sustainability	The tool offers sustainable (long term, non fluctuating, consistent) funding.	Complex

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Case Studies

A deeper dive into RFF's tools and how they work

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Community Bonds

Definition

Community Bonds are a debt financing tool issued a by non-profit, charity or co-operative organization. In short, Community Bonds give these organizations the opportunity to take loans of varying sizes directly from their community, small lenders or other financers.

Centre for Social Innovation

The Centre for Social Innovation (CSI) is a social enterprise based in Toronto, Canada. It specializes in the creation of shared workspaces for people or organizations with a social mission. CSI's mission is to catalyze social innovation and to foster collaboration by connecting social innovators and entrepreneurs providing them with programming and mentorship opportunities to accelerate their success

Case: Centre for Social Innovation

The Centre for Social Innovation (CSI) was among the first to use community bonds as social finance tool in 2010. In its early stages, community bonds were mainly used to finance initiatives related to infrastructure. Such initiatives included the purchase of CSI's first commercial office building, solar and biogas projects, as well as financing of food co-ops and student loans. In 2020, CSI launched its first-ever community bond to finance programs more directly related to social change. During May and June 2020, CSI raised over $1.9 million from individual supporters, small foundations, and other investors to support programming around building a new economy. The money raised will finance the programming related to the organization's work in accelerating climate- and social ventures, as well as community wealth- and social innovation projects.

Considerations	Key
Agency	
Ease of acquisition	
Ease of implementation & administration	
Sustainability	

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Community-Based Cash Transfers

Definition

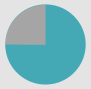
Cash transfers are transfer of cash to eligible recipients. Cash transfers can be conditional (cash distributed to populations in an area upon a predetermined action by the receiver) or unconditional (cash distributed to a targeted population but does not rely upon a a predetermined action by the receiver). Community Based Cash Transfers moves the decision on who receives the cash (usually decided by donors) to the community in question.

Community Based Cash Transfers In More Detail

Communities may or may not be involved in setting up indicators for the transfer (for example, food security, education, etc.). Decisions by communities can be taken in a number of ways, for example, through elected committees or facilitated community meetings. Research has shown that community-based targeting significantly improves local satisfaction, better matches community members' own poverty concepts, and leads to smoother disbursal processes.

Case: Community Based Cash Transfers in Indonesia to Combat Covid-19-Induced Poverty

At the beginning of March 2020, when Indonesia was facing its first lock-down, the government decided to use cash transfers targeted at individuals currently not covered under existing social safety net programs to prevent them from falling back into poverty. Further, the government decided that cash transfers were to be distributed using a community-based targeting approach. The distribution transfers were done through village volunteers specially appointed at the neighborhood level, and targeting was done through facilitated community discussions. In December of 2020, cash transfers had been distributed to nearly 75,000 villages (totaling to ca. 8 million recipients). 88% of recipients were farmers, and 2.5 million were female breadwinners who had not previously been a part of any social programs

Considerations	Key
Agency	
Ease of acquisition	
Ease of implementation & administration	
Sustainability	

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Matching Fund / Grants

Definition

An initiative to encourage the public to donate towards causes that an institutional donor, corporation or government will then match. The concept behind matching funds/grants is simple: a funder (government, institutional donor, corporation, etc.) designates funds for a particular type of project. Organizations can then develop proposals and apply for funding. If accepted, the funding entity will match the community contribution at a set level (for example, 1:1 or 2:2).

Seattle Neighborhood Matching Fund

The Seattle Neighborhood Matching Fund awards $3 million annually to locally-based organizations working n creating visible and lasting improvements to their neighborhoods. The fund matches money that the neighborhood has raised through volunteer labor [valued at $10/hour], professional services, materials; or cash. 25% of the money must come from the neighborhood itself. The matching fund was created in 1998 had has since funded more than 5000 community projects.

Case: FATHERS and SONS TOGETHER

FATHERS and SONS TOGETHER (FAST) is a Seattle-based community organization formed in 2011 following increased violence in the Rainier Valley Neighborhood. The organization supports increased involvement by African American fathers in the lives of their children. It organizes events, workshops, and get-togethers that help engage dads in the lives of their sons and daughters. In 2020 FAST received $30,000 from the Seattle Neighborhood Matching Fund (community match was $21,400) to support the organization's Next Generation Level Up Job Readiness Project. The project will provide 25 Seattle residents of color between the ages of 15-24 with job-ready skills like resume writing, interviewing skills, and on-the-job performance expectations. The program will partner with leaders and industry professionals of color to facilitate and train participants.

Considerations	Key
Agency	
Ease of acquisition	
Ease of implementation & administration	
Sustainability	

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Program Related Investments (PRI)

Definition

In the U.S. private foundations are required to disburse 5% of their endowment annually, which can be done through traditional grantmaking or PRIs, which is the tax-code based term for any type of non-grant financial commitment made to advance a foundation's mission. PRIs can come many forms, ranging from simple cash deposits to more complex financial transactions.

How do PRIs work?

The concept of PRIs in the U.S. tax code allows foundations to disburse capital in a variety of forms including debt, equity and guarantees. Similar to grants, PRIs are used as a means to provide capital to social cause organizations that advance a foundation's philanthropic mission. Unlike grants, PRIs are expected to be repaid, oftentimes with with interest, and the returns are then used to support the foundations charitable activities.

Case: Ford Foundation

One example of a successful PRI comes from the Ford Foundation, which pioneered the use of PRIs in 1968. In the late 1970s, the foundation loaned the then-fledgling Studio Museum of Harlem $1.05 million to buy a building so it could expand. That enabled the museum to stage large exhibits, hold concerts and other events that attracted large crowds and new revenue. The loan, which was repaid in full, facilitated a capital campaign and government grants.

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