Alternative Financing for Innovators

Masterclass

Accenture Development Partnerships

Agenda

01 | Learning objectives

02 | Why is diversification important?

03 | Alternative financing mechanisms

04 | Real-world case studies

05 | Key takeaways

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Photo by Julie Ricard on Unsplash

01 | Learning objectives

Build an understanding of a range of alternative financing mechanisms

Explore the practical application of some of these financing mechanisms

Discuss key considerations and how to get started

02 | Why is diversification important?

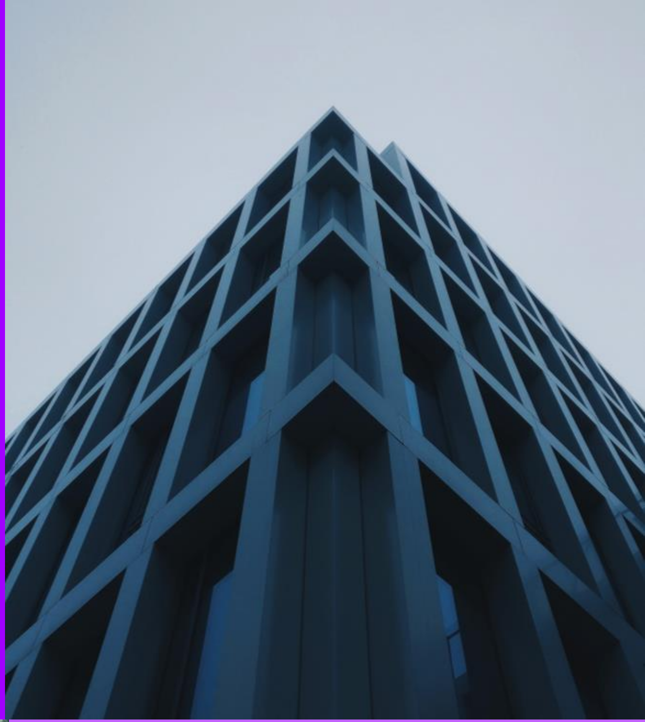
80%

of nonprofits reported that achieving long-term financial stability was a top challenge

~50%

acknowledged reliance on a single dominant funding source

[Nonprofit Finance Fund, State of the Nonprofit Sector]



~75%

of humanitarian funding for local CSOs comes from the top 10 donor countries

[Global Humanitarian Assistance Report 2022]

0.56%

increase in financial performance for every unit increase in funding diversification

Source [2022 European Scientific Journal]

Diversification can grant flexibility and agency and help organizations operate according to their missions and sustain programming

Immediate benefits

- Flexibility in operations
- Risk mitigation
- Financial stability

Long-term results

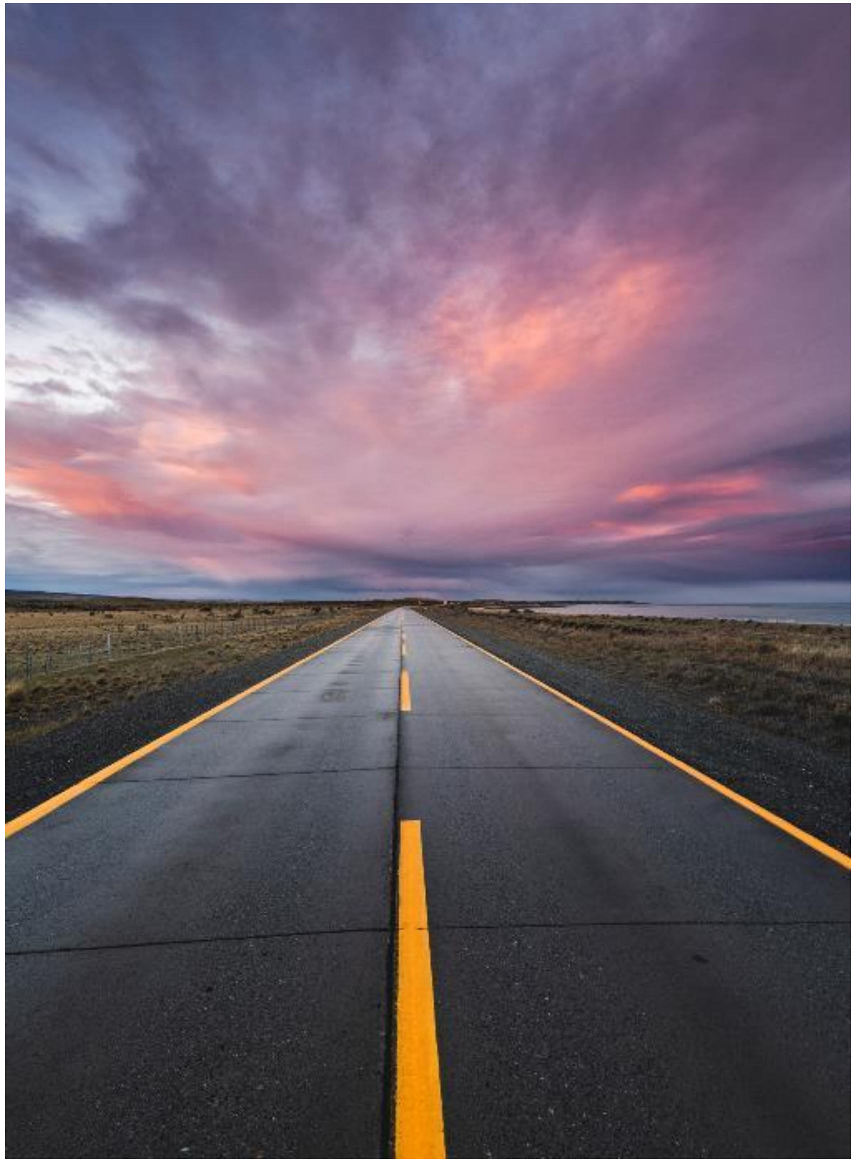
- Enhanced programmatic autonomy
- Operational support functions, Technology, and infrastructure
- Long-term financial sustainability

In 2023, Humentum classified diversified income, along with strong stakeholder support, unrestricted funds, and reserves, as the fundamentals of building a financially secure organization.[2]

Sources: 2. Sustaining Your NGO's Mission: A Roadmap to Financial Sustainability, Humentum, 2023

03 | Alternative financing mechanisms

Why do different financing mechanisms exist?



> Nature of the intervention

> Different stages and time horizons

> Regulatory and contextual constraints

> Varied risk and return appetites

> Diversification and resilience

> Recent desire (need) to experiment

Funders’ expected return on investment can be categorized into the following six groups

Funder’s Expected ROI

No Funders “It’s up to you”	*Charitable Giving “None”*	*Concessionary “Little-to-none”*	*Mixed Expectations “Some” or “N/A”*	*ROI Expected “Competitive”*	*ROI Expected “Competitive”*
SELF-GENERATED REVENUE	PRIVATE PHILANTHROPY	PUBLIC FINANCE	FINANCIAL SERVICES & INTERMEDIARIES	SECURITIES ISSUANCE	INVESTMENT INCOME
Jointly or independently creating marketable products or services	Private contributions with no expectations for a return	Public sector restricted giving and/or low-cost investing	Impact-oriented FIs, intermediaries, & investors with fit-for-purpose interim financing assistance	For-impact capital raising, imitating capital markets financial assets	Raising & distributing funds, with varying risk-return profiles and time horizons
(e.g., advisory services, memberships, social business ventures)	*(e.g., grants, giving, donations)*	*(e.g., debt swaps, concessionary financing, SIBs)*	*(e.g., loans, credit, guarantees)*	*(e.g., DPOs, community bonds, green bonds)*	*(e.g., impact investing, venture investing, endowment funds)*

Across these six categories – many mechanisms exist…

Non-exhaustive

Funder's Return Expectations:	*No Funders "It's up to you"*	*Charitable Giving "None, no payback"*	*Concessionary "Little-to-none"*	*Mixed Expectations "Some" or "N/A"*	*ROI Expected "Competitive"*	*ROI Expected "Competitive"*
FUNDING TYPE:	SELF-GENERATED REVENUE	PRIVATE PHILANTHROPY	PUBLIC FINANCE	FINANCIAL SERVICES & INTERMEDIARIES	SECURITIES ISSUANCE	INVESTMENT INCOME
Brief Description:	*Jointly or independently creating marketable products or services*	*Private contributions with no expectations for a return*	*Public sector restricted giving and/or low-cost investing*	*Impact-oriented FIs & investors with fit-for-purpose interim financing assistance*	*For-impact capital raising, imitating capital markets assets*	*Raising and distributing funds, with varying risk-return profiles*
REVENUE SOURCE:	Product Sales; Monetize Assets; Shared Initiatives Revenue	Individuals; Institutions; Corporates	Gov't; MDBs; DFIs	DFIs; Traditional FIs; Retail Investors	DFIs; Traditional FIs; Retail Investors	Capital Markets Returns; Venture Investing Returns; Impact Investing Returns
EXAMPLE MECHANISMS:	○ Educational Courses	○ Donations	◐ Results-based Financing	○ Credit Revolving Loans	○ Direct Public Offerings	◐ Social Venture Capital
	○ Advisory Services	○ Unrestricted Grants	◐ Blended Finance	○ Bridge Loans	○ Community Bonds	◐ ESG Endowment Fund
	○ Certifications & Licensing	○ Major Gifts	◐ Concessionary Financing	◐ Blended Finance	▲ Diaspora Bonds	◐ Returns-first Impact Fund
	○ Social Business Ventures	◐ Development Impact Bonds	◐ Social Impact Bonds	▲ Concessional Loans	▲ Sustainability Bonds	◐ Impact-first Impact Fund
	○ Sustainable Retail	◐ Blended Finance	▲ Government Grants	◪ Guarantees	▲ Nature-based Securities	◐ Fund of Funds
	○ CleanTech Services	◐ Catalytic Grants	▲ Government Contracts	◪ Social Finance Advisors	▲ Carbon Credits	◐ Microfinance Offerings
	○ Healthcare Services	▲ In-Kind Resources	◪ Debt Swaps	◪ Platforms & Conveners	▲ Green Bonds	
	○ Community Farming	▲ Restricted Grants	◪ Advanced Market Commitment	◪ Result/Outcome Evaluator		
	◐ Membership Fees	◐ Matching funds	○ Awards and Prizes	▲ Parametric insurance		
		◐ Crowd funding		▲ Microinsurance		

○ Unrestricted ◐ Both and/or semi-restricted ▲ Restricted ◪ Not applicable and/or unique

..and can be categorized or considered in different ways depending on your objectives

Non-exhaustive

Funder's Return Expectations:	*No Funders "It's up to you"*	*Charitable Giving "None, no payback"*	*Concessionary "Little-to-none"*	*Mixed Expectations "Some" or "N/A"*	*ROI Expected "Competitive"*	*ROI Expected "Competitive"*
FUNDING	SELF-GENERATED	PRIVATE	PUBLIC FINANCE	FINANCIAL SERVICES	SECURITIES	INVESTMENT
	...reating ...vices		*...lic sector restricted giving and/or low-cost investing*		*For-imp... imitating c...*	*...ibuting funds, ...-return profiles*
REVENUE SOURCE:	Product Sales; Monetize Assets; Shared Initiatives Revenue	Individuals; Institutions; Corporates	Gov't; MDBs; DFIs	DFIs; Traditional FIs; Retail Investors	DFIs; Traditional FIs; Retail Investors	Capital Markets Returns; Venture Investing Returns; Impact Investing Returns

EXAMPLE MECHANISMS:

Section I: EVOLVING REVENUE SELF-GENERATION

- Educational Courses
- Advisory Services
- Certifications & Licensing
- Social Business Ventures
- Sustainable Retail
- CleanTech Services
- Healthcare Services
- Community Farming
- Membership Fees

Section II: RETHINKING GIVING & GRANTS

- Donations
- Unrestricted Grants
- Major Gifts
- Development Impact Bonds
- Blended Finance
- Catalytic Grants
- In-Kind Resources
- Restricted Grants
- Matching funds
- Crowd funding
- Results-based Financing
- Blended Finance

Section III: UNLOCKING INNOVATIVE FINANCE

- Concessionary Financing
- Social Impact Bonds
- Government Grants
- Government Contracts
- Credit Revolving Loans
- Bridge Loans
- Blended Finance
- Concessional Loans
- Guarantees
- Social Finance Advisors
- Platforms & Conveners
- Result/Outcome Evaluator
- Parametric insurance
- Microinsurance
- Direct Public Offerings
- Community Bonds
- Diaspora Bonds

Not assigned to a section:

- Debt Swaps
- Advanced Market Commitment
- Awards and Prizes

Section IV: SUSTAINABLE AND GREEN FINANCE

- Sustainability Bonds
- Nature-based Securities
- Carbon Credits
- Green bonds

Section V: IMPACT INVESTING

- Social Venture Capital
- ESG Endowment Fund
- Returns-first Impact Fund
- Impact-first Impact Fund
- Fund of Funds
- Microfinance Offerings

We've selected some of interesting mechanisms to deep-dive further

Non-exhaustive

Funder's Return Expectations:	*No Funders "It's up to you"*	*Charitable Giving "None, no payback"*	*Concessionary "Little-to-none"*	*Mixed Expectations "Some" or "N/A"*	*ROI Expected "Competitive"*	*ROI Expected "Competitive"*
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REVENUE SOURCE:	Product Sales; Monetize Assets; Shared Initiatives Revenue	Individuals; Institutions; Corporate	Gov't; MDBs; DFIs	DFIs; Traditional FIs; Retail Investors	DFIs; Traditional FIs; Retail Investors	Capital Markets Returns; Venture Investing Returns; Impact Investing Returns

EXAMPLE MECHANISMS:

Self-generated	Private	Public finance	Financial services	Securities issuance	Investment income
Educational Courses	Donations	Results-based Financing	Credit Revolving Loans	Direct Public Offerings	Social Venture Capital
Advisory Services	Unrestricted Grants	Blended Finance	Bridge Loans	Community Bonds	ESG Endowment Fund
Certifications & Licensing	Major Gifts	Concessionary Financing	Blended Finance	Diaspora Bonds	Returns-first Impact Fund
Social Business Ventures	Development Impact Bonds	Social Impact Bonds	Concessional Loans	Sustainability Bonds	Impact-first Impact Fund
Sustainable Retail	Blended Finance	Government Grants	Guarantees	Nature-based Securities	Fund of Funds
CleanTech Services	Catalytic Grants	Government Contracts	Social Finance Advisors	Carbon Credits	Microfinance Offerings
Healthcare Services	In-Kind Resources	Debt Swaps	Platforms & Conveners	Green bonds	
Community Farming	Restricted Grants	Advanced Market Commitment	Result/Outcome Evaluator		
Membership Fees	Matching funds	Awards and Prizes	Parametric insurance		
	Crowd funding		Microinsurance		

Section I: EVOLVING REVENUE SELF-GENERATION

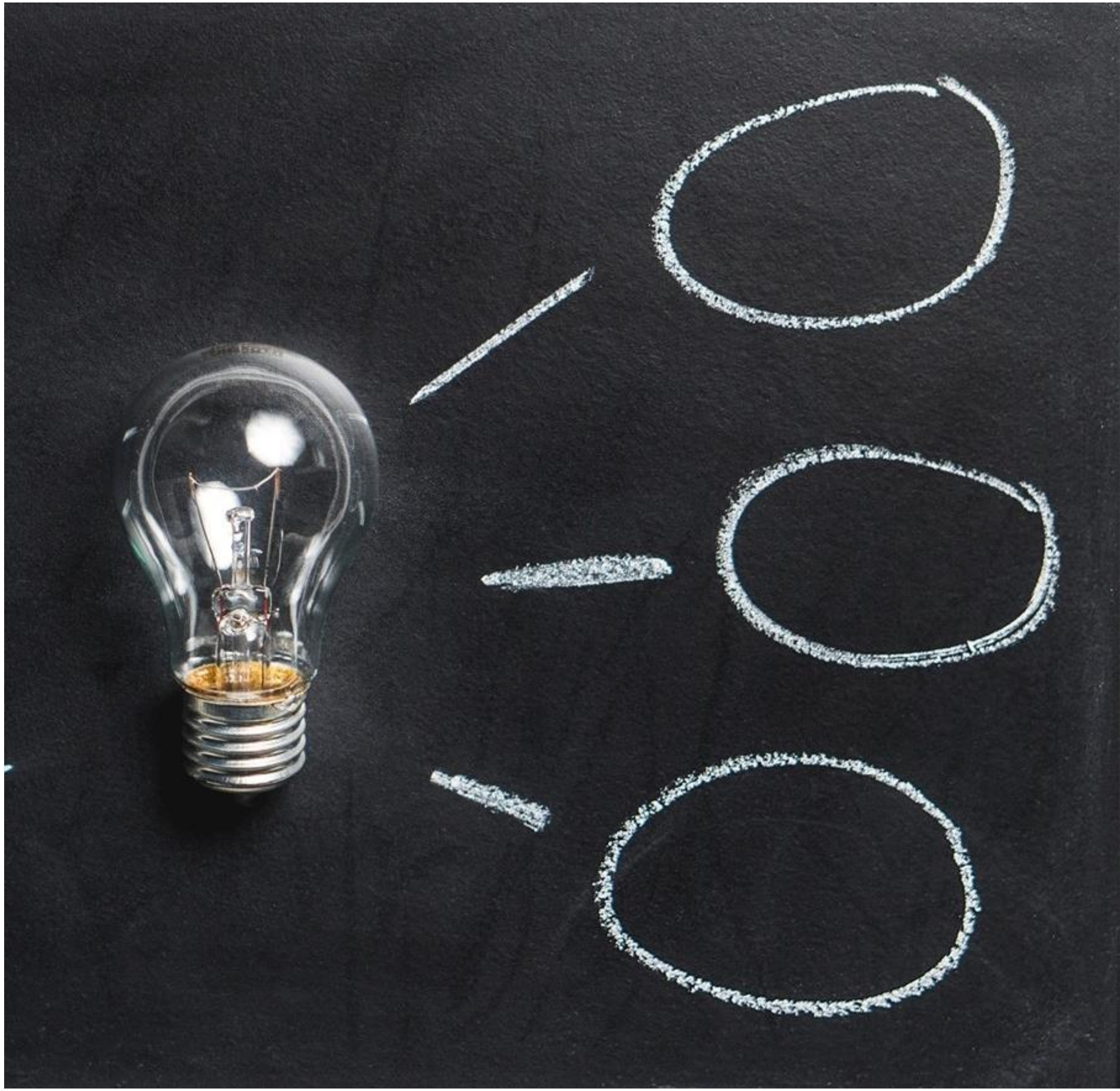
Section II: RETHINKING GIVING & GRANTS

Section III: UNLOCKING INNOVATIVE FINANCE

Section IV: SUSTAINABLE AND GREEN FINANCE

Section V: IMPACT INVESTING

04 | Real world case studies



Tadamon Platform | **Crowdfunding and Matching funds**

Case study:

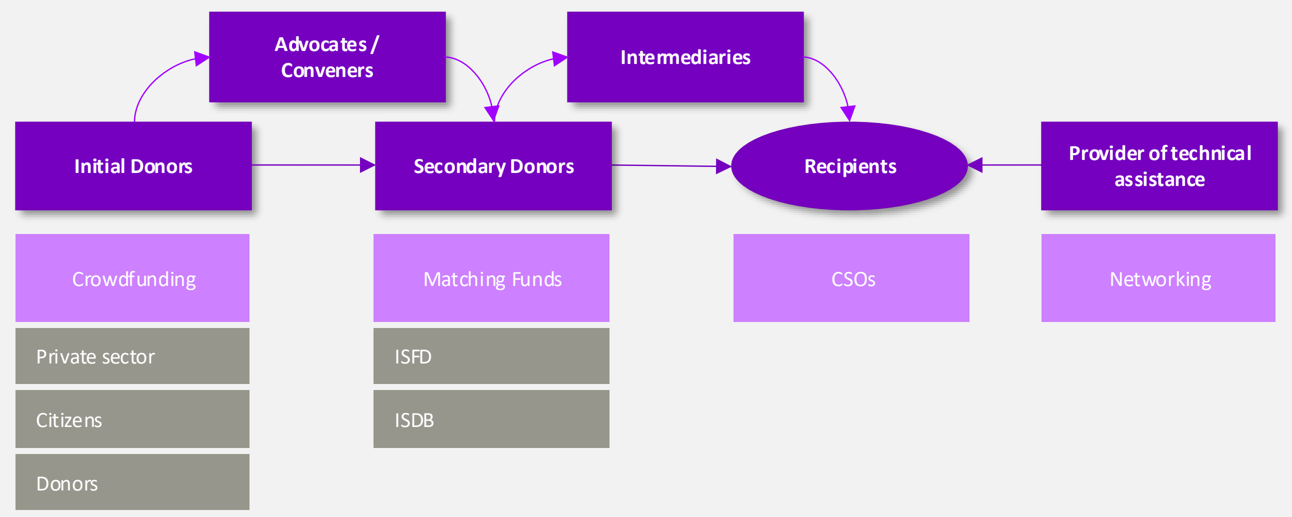
TADAMON is a multi-functional platform connecting **citizens, private sector donors, and development institutions** with Civil Society Organizations (**CSOs**) in **OIC Member Countries** to support their humanitarian and development initiatives.

Key features of the program:

- Innovative Financing Mechanisms (IFMs):
  - **Matching Funds:** Through Accelerator/Granting Programs, TADAMON offers grants requiring at least 50% matching contributions from applicants.
    Example: A CSO applying for $40,000 must secure $20,000 from other sources.
  - **Crowdfunding:** TADAMON facilitates CSOs in raising funds directly from citizens and private-sector donors.
- Support for **CSOs**: Access to funding opportunities, networking, and skill-building programs to strengthen their impact.
- TADAMON is sponsored by the **ISFD**, managed by the **ISDB**, and implemented by the **UNDP**.
- By **connecting donors and development CSOs**, the platform drives **transformative change**, enabling sustainable impact in OIC Member Countries' humanitarian and development efforts

Matching funds: usually by employers or governments to organisations to match individual contributions to a given cause or non-profit.

Crowdfunding: involves the practice of acquiring funding for an early-stage business idea through a large pool of internet investors.



Key takeaways

- Model allows CSOs and social enterprises to fund projects without ceding equity,
- Tadamon's model is equity-free: beneficiaries do not relinquish ownership or control. This is crucial for nonprofits and civil society organizations, which usually cannot—or do not wish to—offer shares or stake in return for capital.
- The solution goes beyond just funding, Tadamon offers training and resources to equip organizations with the skills to run successful campaigns.
- The initiative facilitates a direct link between donors who are passionate about social causes and the projects that need support, improving transparency and accountability.
- This model showcases how alternative financing can address funding gaps that conventional institutions often miss

Source: 1. Tadamon Program 2. Success Story Tadamon

Mercy Corps’ Social Venture Fund | **Catalytic Grants**

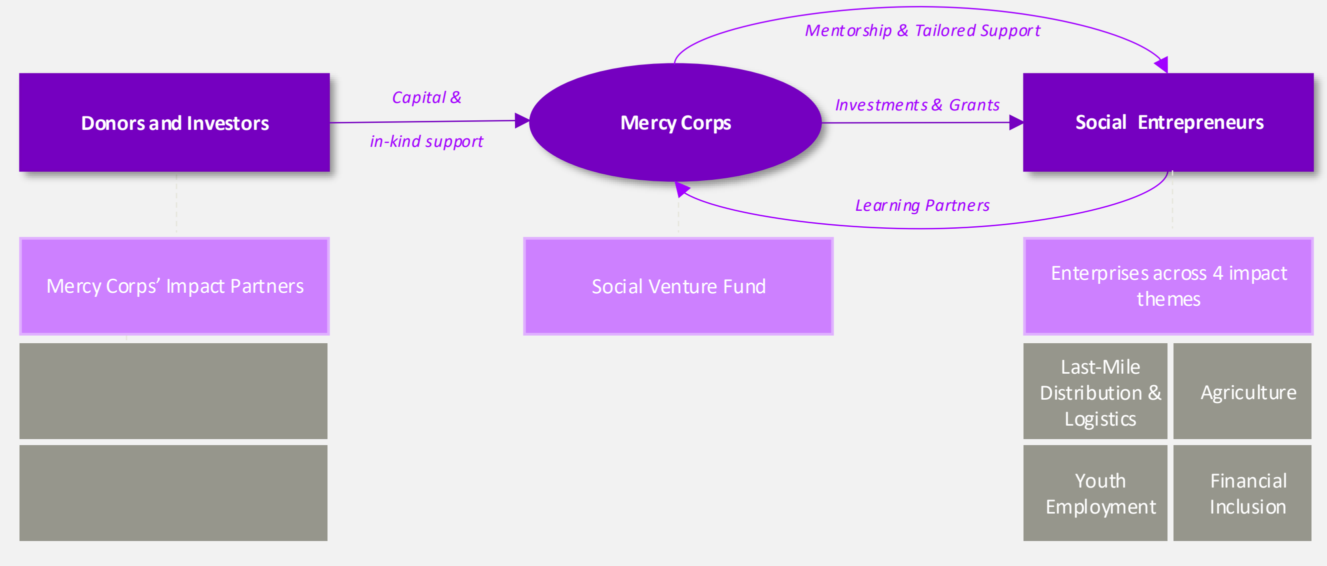
Case study:

Mercy Corps’ Social Venture Fund is a seed-stage impact investment fund designed to help early-stage entrepreneurs overcome barriers to growth by providing capital and tailored post-investment support. It was launched in 2015 and has invested between $50,000 and $250,000 in startups operating in financial services, agriculture, last-mile distribution, and youth employment.

Key Features:

- With a global footprint of nearly 5,000 staff, 40+ country offices, and deep technical expertise, Mercy Corps itself acts as a valuable asset and partner to social entrepreneurs.
- SVF Impact framework has 3 dimensions to measure the impact of a project- prioritizing projects that create meaningful impact (Depth) for underserved populations (Reach) at scale (Breadth).
- Projects that lack targeted reach, serve too few people, or have limited impact depth are not a focus. Mercy Corps also helps co-create one of the dimensions with the entrepreneur.
- What is “catalytic” over traditional grant making is that through capital and support, piloting new approaches, action-oriented insights, and rigorously managing impact, they **catalyze the ecosystem toward smarter, more impactful investments.**

A Catalytic Grant is a type of funding that helps social enterprises bridge the gap between early-stage experimentation and large-scale funding. This approach has been used to support seed-stage impact enterprises in emerging markets, ensuring they have access to the financial and strategic resources necessary for long-term success



Key takeaways

- Early-stage social ventures struggle to secure funding due to high risk and uncertain returns. Catalytic funding de-risks these investments, encouraging later-stage investors to participate.
- Financial capital alone is insufficient - technical assistance, mentorship, and market access are critical for ensuring that enterprises achieve both financial sustainability and social impact.
- Social enterprises need to develop their Theory of Change, aligning key performance indicators (KPIs) to with impact goals. This ensures accountability and data-backed decision-making.
- Mercy Corps have also implemented multiple other alternative financing mechanisms such as concessionary loans

Source: 1. https://www.mercycorps.org/what-we-do/ventures 2. SVF Impact Report

Humanitarian Impact Bond | ICRC

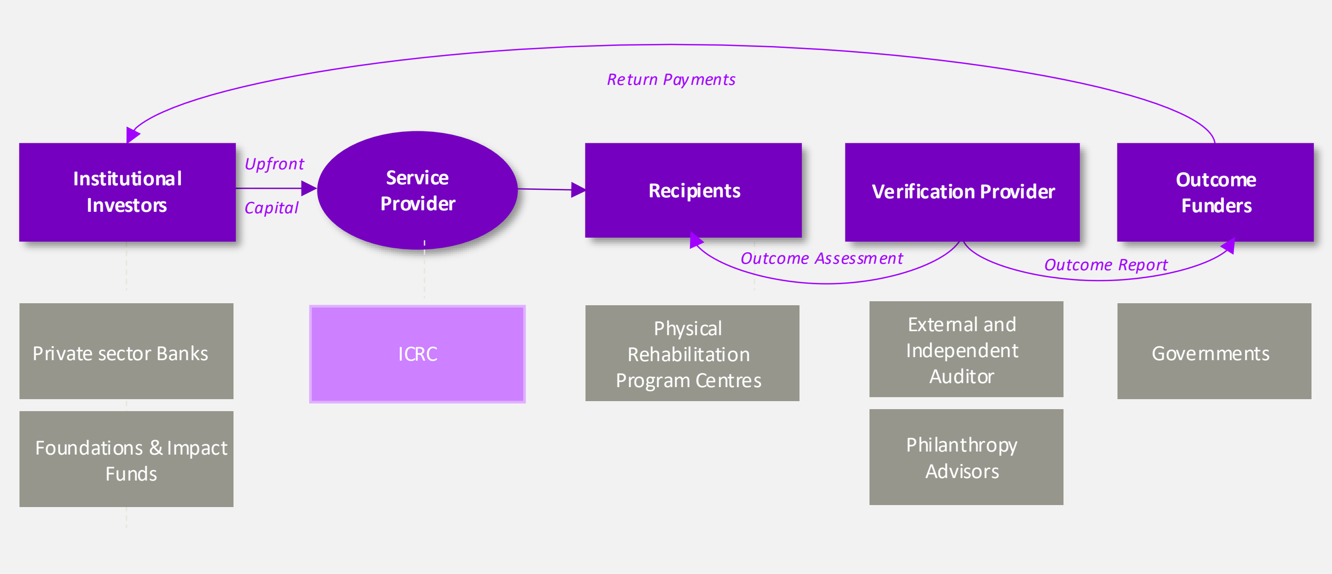
Case study:

ICRC's Humanitarian Impact Bond (HIB) is an innovative, **outcomes-based financing mechanism** designed to mobilize private capital for humanitarian projects. Launched in 2017, the fund was created to address the growing funding gap in humanitarian aid, particularly for physical rehabilitation programs in conflict-affected areas.

Key Features:

- Outcome-Based Financing Model
  - Investors provide **upfront capital** to ICRC for building and optimizing rehabilitation centers.
  - If **performance targets** are met, **outcome funders** repay investors with a potential return.
  - If targets are not achieved, investors bear the financial loss, **shifting risk away** from ICRC.
- The **first HIB** raised CHF 26 million **(~$27 million USD)** from private investors, benefiting over 3000 persons with disability.
- Governments of Switzerland, Belgium, Italy, and the United Kingdom acted as outcome funders, committing repayment based on impact results.
- The outcome metric identified captures the cost-savings achieved by the intervention and accounts for the diversity of the various Physical Rehabilitation Programme centres (e.g. staff numbers, patient capacity, etc.)

> The Humanitarian Impact Bond (HIB), is a social impact bond raising private capital to finance physical rehabilitation centres and patient care for populations living in conflict zones. Risk-sharing arrangements improve the return profile for investors.



Key takeaways

- Strategic partnerships can offer valuable content expertise. The bond was able to expand the traditional funding base of ICRC by using a multi-year partnership involving public and private capital support, to mobilize additional resources.
- Risk-sharing arrangements can improve return profiles. To make the investment more attractive to investors, the HIB was structured to share risk with the outcome funder and service provider through capital protection measures – In case of a loss, 60% of investors' capital is repaid, with ICRC covering 10% and outcome funders covering the balance
  - Thorough due diligence and a comprehensive risk assessment must be undertaken by investors to assess the service delivery partner's strength and weaknesses, including past exp. in this field

Source: 1. Impactinvest.org case study 2. Government Outcomes Lab case study

TIST | Carbon Credits by Partnership Approach

Start-ups

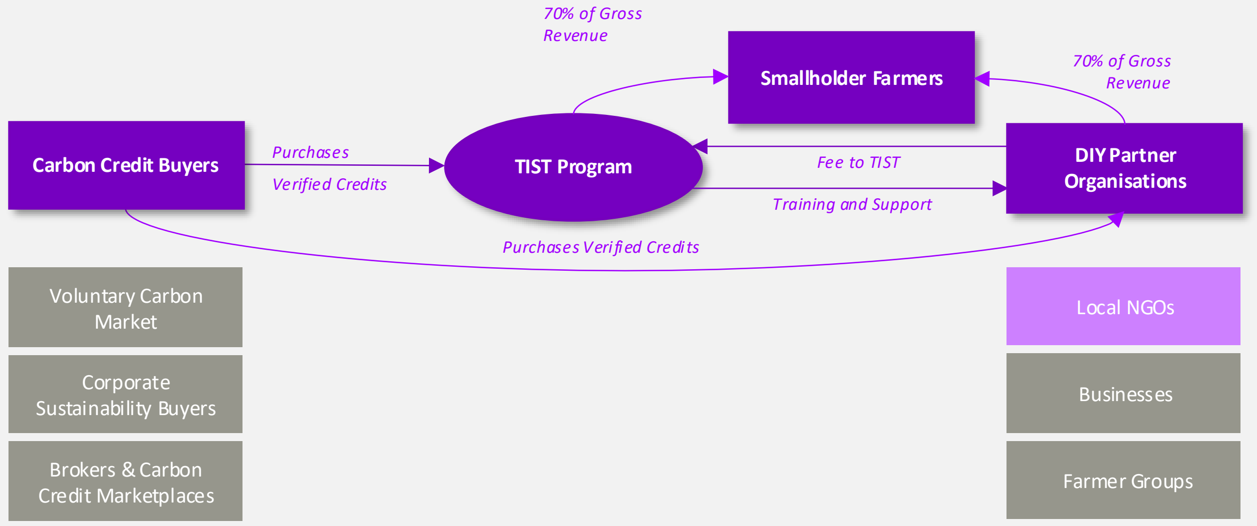
Case study:

TIST (The International Small Group & Tree Planting Program) is a network of 180,000+ subsistence farmers dedicated to reforestation, biodiversity, and climate resilience. TIST's funding model is driven by the sale of high-quality carbon credits, returning 70% of profits to farmers, creating a self-sustaining, impact-driven economic model.

Key Features:

- Farmers plant and maintain trees, sequestering carbon. Carbon credits generated from these trees are verified, audited, and sold to corporate buyers in global voluntary carbon markets.
- To meet growing carbon credit demand, TIST developed a "Do-It-Yourself" (DIY) Partner Model.
- Local NGOs, Businesses & Farmer Groups Join as DIY Partners who receive step-by-step guidance on tree planting, farmer engagement, carbon credit certification, and revenue distribution
- Partners fund their own operations, including farmer incentives and verification costs. They must uphold TIST values and comply with Assurance Mechanisms to maintain their "TIST Mark of Assurance".
- This ensures credibility, premium pricing for carbon credits, and global recognition.

Partnerships have the potential to accelerate the process of recruitment and create a more sustainable model for growth. In assessing selection of potential partners, cultural fit and value exchange is critical.



Key takeaways

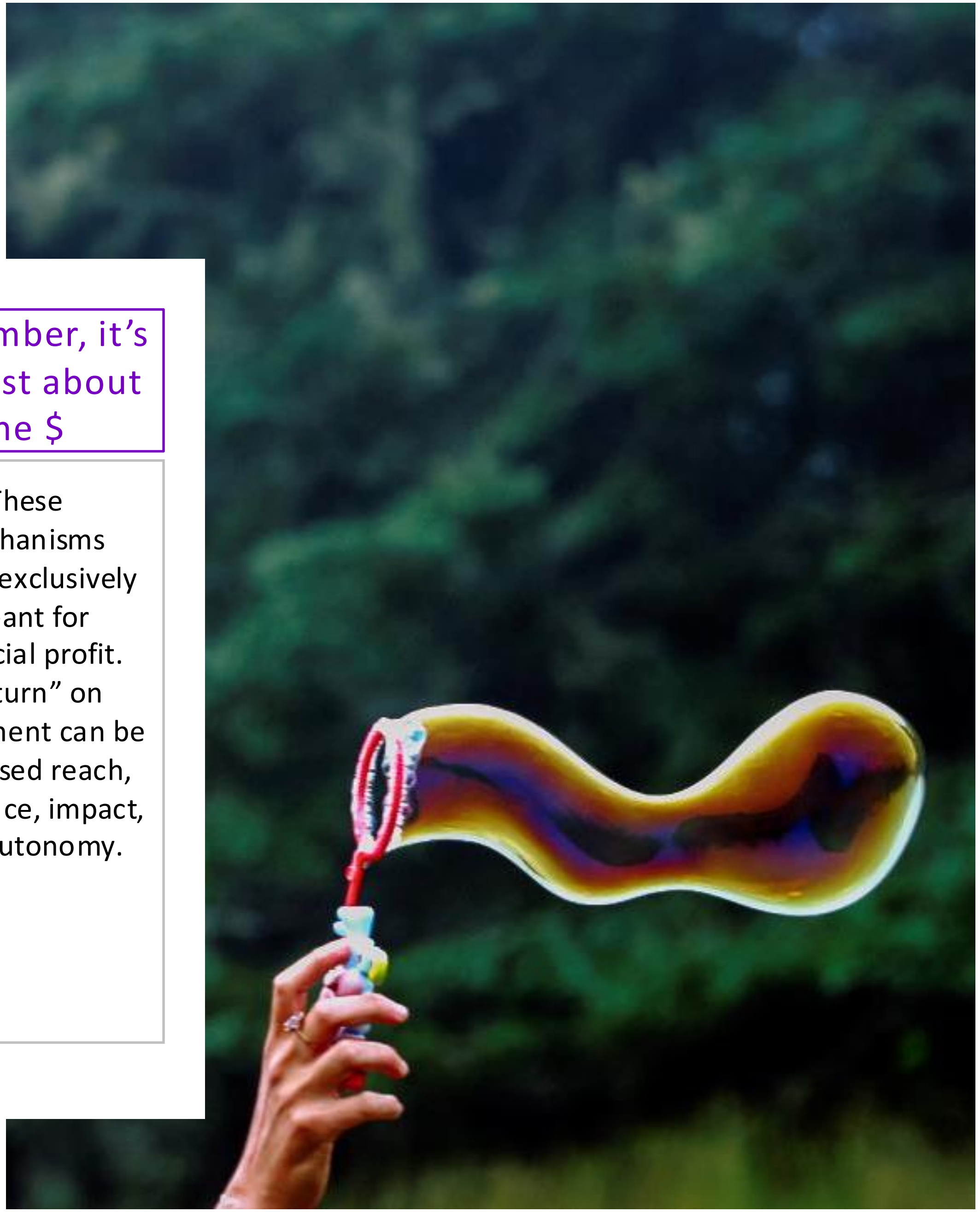
- Unlike traditional grant-dependent programs, market-driven funding can help to scale impact sustainably.
- Instead of building and managing operations in every new region, a standardized franchise model allows partners to replicate best practices while maintaining brand credibility and operational autonomy.
- Allowing local organizations to lead implementation ensures cultural alignment, stronger community engagement, and greater program success.
- A verified assurance system backed by global standards (e.g., Verra) increases transparency, enabling higher market valuation for carbon credits and attracting ethical investors.

Source: Accenture Internal Documents

05 | Key Takeaways

Lessons learnt

Be Patient	Be Flexible	Acknowledge the Trade-offs	Embrace Uncertainty	Remember, it's not just about the $
Getting this right takes time. Many mechanisms require a lot of effort and costs up-front before you begin to realize benefits.	Create room for experimentation. This is a quickly evolving space, and adaptability to sector and investor's interests are key.	While diversification can catalyze innovation, certain mechanisms come with conditions (be they financial, sectoral, focus)	More analysis is always an option to increase confidence in decisions, but 100% certainty is impossible, and analysis paralysis can be costly.	These mechanisms aren't exclusively meant for financial profit. "Return" on investment can be increased reach, eminence, impact, and autonomy.



How to get started?

01 **Match mechanism to risk and context**

02 **Recognize opportunity and feasibility**

03 **Build robust partnerships and measurement**

04 **Plan for scalability and sustainability**