The End of Donor Dependence?

Rethinking sustainability for mission driven institutions.

June 2026

FUTURE AFRICA Consulting

FUTURE AFRICA Forum

Introduction

This document is intended for **leaders, practitioners, and stakeholders across the social impact ecosystem, including civil society organizations, social enterprises, philanthropic institutions, and those operating hybrid models,** who are navigating questions of long-term financial and operational sustainability, strategy, and impact. It offers practical guidance and insights drawn from current debates, research, and lived experiences of organizations across Africa and globally.

While these actors differ in form, mandate, and operating context, they share a common challenge: **adapting to a rapidly changing environment marked by funding volatility, competitive pressures, and systemic shifts in technology and policy.**

About Future Africa Consulting

Future Africa Consulting is the advisory arm of Future Africa Group, working at the intersection of strategy, research, systems thinking, and implementation support across African markets. We partner with public institutions, philanthropic organizations, development actors, private sector firms, and ecosystem builders to help solve complex problems affecting their growth and impact.

Our work is grounded in the belief that many of Africa's most pressing challenges and opportunities are increasingly systemic rather than sectoral. Economic transformation, technological disruption, environmental shifts, demographic change, governance transitions, and shifting development financing models are reshaping how institutions operate and how impact is created. In this context, organizations require more than technical solutions alone; they need adaptive strategies, contextual intelligence, and systems-oriented thinking capable of responding to rapidly evolving realities.

About Future Africa Forum

Future Africa Forum unites visionary African thinkers to generate and amplify transformative ideas for positive continental change. Collaborating with thought leaders and multi-sectoral organizations, the Forum produces reports, policy papers, convenes discussions on critical issues, and partners with stakeholders to champion innovative solutions that benefit African economies and societies.

The Forum was established on the premise that Africa's challenges and opportunities require locally grounded intellectual leadership, deeper strategic reflection, and interdisciplinary dialogue. As the continent navigates rapid economic, technological, demographic, environmental, and political change, there is growing need for spaces that move beyond reactive conversations toward long-term systems thinking and strategic imagination.

At its core, Future Africa Forum seeks to strengthen Africa-centered perspectives on the continent's future while creating spaces for bold thinking, practical collaboration, and actionable ideas capable of driving long-term positive change.

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1. Executive Summary

The ground is shifting beneath donor-funded organizations across Africa and globally. Official development assistance fell by 23.1% in real terms in 2025 to USD 174.3 billion, down from USD 215.1 billion in 2024 and equal to just 0.26% of donors' combined gross national income. It was the largest annual contraction on record, leaving aid at its lowest level in real terms since 2015, when the 2030 Agenda for Sustainable Development was adopted. Humanitarian aid fell by roughly 36%, and civic space is now under severe pressure in 122 countries. Communities are growing more skeptical of organizations that report outputs but deliver little visible change. And the private sector is increasingly entering the same spaces, competing for the same funding, and in some cases delivering the same services.

For many organizations, the instinct is to find replacement funding and continue as before. This primer argues that the organizations that will remain relevant and resilient are not those that simply plug funding gaps, they are those that use this moment to ask harder questions about purpose, positioning, and model.

This primer offers a framework for that reflection, organized around four strategic lenses:

- **Interrogating foundational assumptions:** revisiting mission, theory of change, and whether the organization’s original rationale still holds in a changed environment.

- **Reconsidering interactions across sectors:** understanding how blurring boundaries between public, private, and social sectors create both threats and new opportunities for collaboration and positioning.

- **Matching models to issues** ensuring that intervention strategy drives organizational structure and funding choices, rather than the reverse.

- **Navigating the funding model spectrum:** moving beyond the binary of grants versus earned revenue to understand nine distinct financing approaches, their trade-offs, and the organizational implications of each.

There is no universal answer. Some organizations will reaffirm a grant-funded model. Others will evolve toward earned revenue, blended finance, or entirely new institutional forms. What matters is that these choices are made intentionally, grounded in honest assessment rather than inertia or convenience.

The central question this primer poses is simple: ***If your organization disappeared tomorrow, would the communities you serve advocate for its return? If the answer is unclear, that's where the strategic work begins.***

2. Context

Organizations operating in the social impact and development space are navigating an environment marked by profound and accelerating change, forcing them to reassess how they sustain operations and deliver on their missions.

This environmental change is exemplified in five trends:

- **Declining and Shifting Donor Funding** - reduced external support and changing priorities challenge financial sustainability across sectors.
- **Limited Government Support for Philanthropy and Social Impact –** weak policy incentives constrain domestic resource mobilization and local giving.
- **Erosion of Trust and Community Legitimacy -** communities and stakeholders increasingly demand transparency, accountability, and relevance from social impact firms.
- **Technology, Policy, and Systems Change -** digital tools, regulatory shifts, and systemic reforms are transforming how organizations operate.
- **The Rise of Emergent, Interconnected Challenges -** Organizations must navigate a landscape characterized by simultaneous, multifaceted, and interconnected challenges, across economic, social, and environmental systems, requiring adaptive strategies, scenario planning and systems-based approaches rather than traditional linear problem-solving approaches.

2.1 Declining and Shifting Donor Funding

Global aid flows are increasingly constrained.

OECD figures show that ODA fell to USD 215.1 billion in 2024, equivalent to 0.34% of donors combined gross national income, representing a 6.1% real term decline from 2023. The downturn deepened significantly in 2025, with ODA falling by 23.1% in real terms to USD 174.3 billion. At 0.26% of combined GNI, this represented the largest annual decline ever recorded.[1] The five largest providers accounted for nearly the entire decline, with the United States alone responsible for three-quarters of the reduction. Its ODA fell by 56.9%, the largest year-on-year decrease recorded by any provider. For the first time, Germany became the largest Development Assistance Committee (DAC) donor.[2]

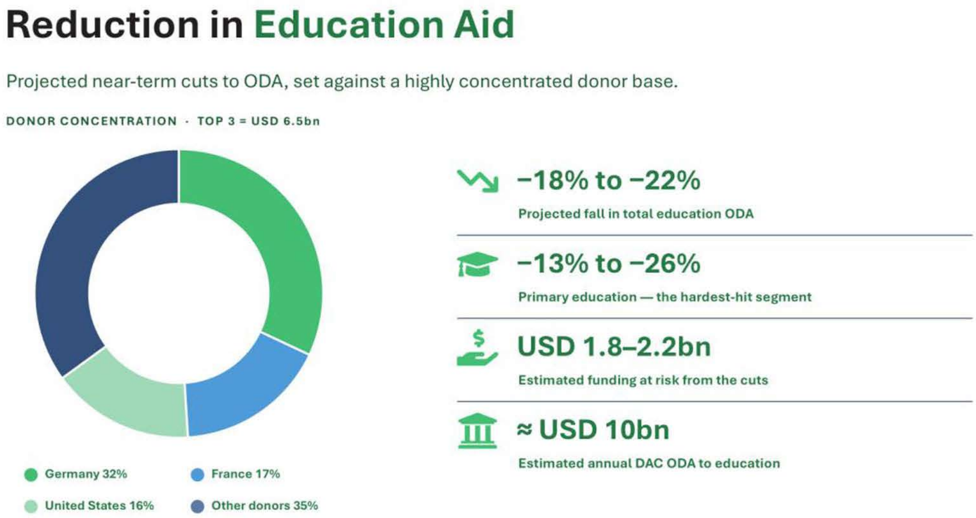
Sectoral impacts of ODA reductions: 2023 baseline and 2025 outcomes[3]

- **Humanitarian Aid:** In June 2025, the OECD projected a decline of 21-36% between 2023 and 2025, the largest reduction across all sectors. The preliminary 2025 data confirmed the upper end of that range, with humanitarian aid falling 35.8% to USD 15.5 billion.[4] In 2023 the United States had accounted for 58% of DAC humanitarian aid (USD 15 billion), so its cuts drove much of the fall, with significant repercussions for humanitarian efforts through multilateral channels.

[1] OECD, International aid fell sharply in 2025, says OECD, 2026
[2] SDG List, ODA in Historic Decline: Latest OECD Data, 2026
[3] OECD, International aid falls in 2024 for first time in six years, says OECD, 2025

- **Education:** In its June 2025 projections, the OECD expected education ODA to fall by 18-22% between 2023 and 2025, with primary education the hardest hit at 13-26%.[5] In 2023, three providers, Germany (USD 3.2 billion, 32%), France (USD 1.7 billion, 17%), and the United States (USD 1.6 billion, 16%), each contributed more than USD 1 billion, collectively representing 65% of DAC ODA to the education sector.

Figure 1: Projected Reductions in ODA, 2023 - 2025



- **Government:** Support for human rights, democratic participation, civil society development, and public sector reform was projected to fall by 21-36% between 2023 and 2025, driven mainly by reduced aid to Ukraine, which absorbed 44% of DAC bilateral ODA to this sector in 2023.[6] The decline has since materialized through this channel. Net bilateral ODA to Ukraine fell 38.2% in 2025 to USD 10.3 billion as US support dropped 91%, outweighing increased contributions from 23 other DAC members.[7] The United States had been the leading donor to the sector, accounting for 50% of total sector ODA in 2022 and 59% in 2023.

- **Civil Society Organizations (CSOs):** ODA channeled to and through civil society organizations across all sectors amounted to USD 27 billion in 2024, or 12.9% of bilateral ODA, a 2.3% decrease from 2023.[8] Aid to and through CSOs based in developing countries held up better, rising 2.4%. On the 2022 to 2023 baseline, the United States (USD 10.3 billion), EU Institutions (USD 2.8 billion), and Germany (USD 2.1 billion) were the top three providers, together contributing 57% of the total, each giving more than USD 2 billion. [9]

[4] OECD, International aid fell sharply in 2025, says OECD, 2026
[5] This analysis combines published 2025 aid data with OECD projections for sectors where final 2025 figures will not be available until December 2026.
[6] OECD, Cuts in official development assistance, 2026
[7] OECD, A historic decline in foreign aid: Preliminary 2025 ODA data, 2026

2.2 Limited Government Support for Philanthropy and Social Impact

In many African countries, philanthropy and domestic social investment remain under-leveraged as tools for development, largely due to limited government incentives and enabling policies. Evidence consistently shows that government frameworks, particularly tax incentives, regulatory clarity, and co-funding mechanisms, play a decisive role in shaping the scale, form, and sustainability of philanthropic giving.

Globally, countries that provide tax deductions or credits for charitable donations mobilize significantly higher levels of private giving. According to the OECD, tax incentives reduce the "price of giving" and are strongly associated with higher donation volumes, especially among high-income individuals and corporations. These incentives take varying forms across countries, reflecting different policy objectives and fiscal capacities, and include **tax deductions** for charitable donations (allowing donors to deduct contributions from taxable income), **tax credits** (providing a direct reduction in tax liability), and **matching mechanisms** where governments effectively top up private donations. Some countries also exempt philanthropic organizations from certain taxes, such as income tax, capital gains tax, or inheritance tax, lowering the cost of operating formal foundations and trusts. Beyond fiscal measures, governments influence philanthropic activity through Clear legal definitions of public-benefit organizations, streamlined registration and reporting requirements, and transparent oversight mechanisms reduce administrative burdens and increase donor confidence.[10] **In contrast, across much of Sub-Saharan Africa, charitable tax incentives are limited, capped, or inconsistently applied, and regulatory environments for foundations and trusts are often fragmented or unclear.**

Comparative evidence illustrates the impact of enabling policy environments:

1. In the United States, estimated charitable giving totaled USD 592.5 billion in 2024, representing a 6.3% increase in current dollars, supported by long standing tax deductibility and clear nonprofit regulatory frameworks. A defining feature of the U.S. ecosystem is the phenomenal growth of Donor Advised Funds (DAFs) in philanthropy. Their expansion is driven heavily by tax incentives that allow donors to:

    - Receive an immediate tax deduction when contributing to a DAF, even if grants are made years later. Cash contributions are deductible up to 60% of adjusted gross income (AGI), while contributions of appreciated assets are deductible at fair market value up to 30% of AGI.[11]

    - Avoid capital gains tax on appreciated noncash assets such as stocks or real estate, which can be donated to a DAF and sold tax free by the sponsoring charity.[12]

    - Benefit from tax free investment growth within the DAF, allowing charitable dollars to compound without capital gains taxation.[13]

2. In the United Kingdom, mechanisms such as Gift Aid increase the value of individual donations by allowing charities and community amateur sports clubs (CASCs) to reclaim income tax (25p for every £1 given), contributing to a mature ecosystem of foundations and donor-advised funds aligned with public priorities.[14]

Where incentives are weak or absent, social impact organizations remain disproportionately dependent on international donors, limiting resilience and local ownership.

[8] OECD, Final OECD statistics on official development assistance (ODA) and other resource flows to developing countries in 2024, 2025
[9] OECD, Cuts in official development assistance, 2026
[10] OECD, Taxation and Philanthropy, 2020

2.In the United Kingdom, mechanisms such as Gift Aid increase the value of individual donations by allowing charities and community amateur sports clubs (CASCs) to reclaim income tax (25p for every £1 given), contributing to a mature ecosystem of foundations and donor-advised funds aligned with public priorities.[14]

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Figure 2: Policy as a lever for philanthropy

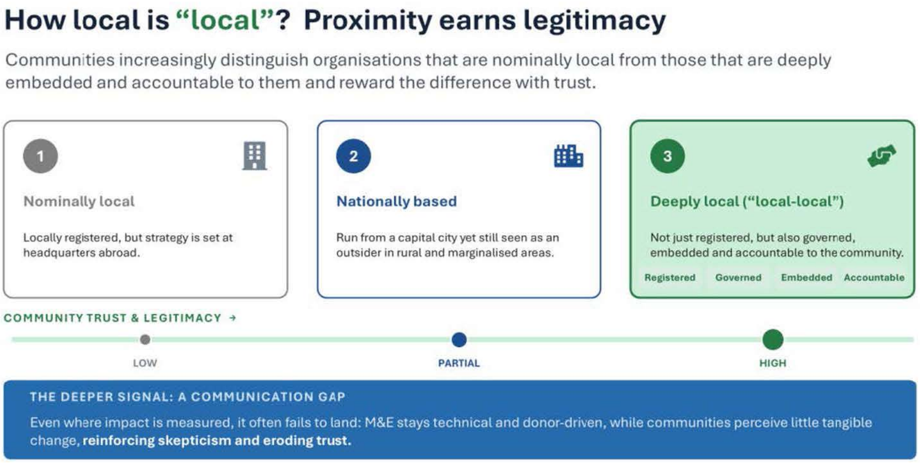
2.3 Erosion of Trust and Community Legitimacy

Across sectors, organizations are confronting heightened scrutiny from communities, beneficiaries, and partners. In many contexts, communities express skepticism about whether social-impact organizations are truly accountable to them or merely responsive to external funders. Stakeholders increasingly demand meaningful engagement, accountability, and evidence of tangible impact. This tension has been exacerbated by rigid donor requirements that limit flexibility and local responsiveness. A 2023 report by CIVICUS highlights growing community fatigue with external actors who " deliver programs with insufficient local engagement. The report also notes that while many programs are well-intentioned, they risk being perceived as disconnected or extractive unless they embed themselves more deeply in local contexts.[15]

[11] Durfee Law Group, Tax Benefits and Pitfalls of Donor-Advised Funds in 2024
[12] American Association of Individual Investors. Opportunities for Donor-Advised Funds Opened by the OBBBA. AAII Journal, 2025.
[13] National Philanthropic Trust. Tax Advantages for Donor-Advised Funds. National Philanthropic Trusthttps://www.nptrust.org/what-is-a-donor-advised-fund/daf-tax-consideration/, n.d.,
[14] GOV.UK, Tax relief when you donate to a charity, Gift Aid, n.d.

This challenge is further shaped by evolving expectations around local ownership and legitimacy. While many international organizations have adopted “localization” agendas, communities are increasingly distinguishing between organizations that are nominally local and those that are deeply embedded within the communities they serve. In some cases, international organizations establish locally registered entities whose strategic decision-making remains concentrated in headquarters outside the region. In other cases, nationally based organizations, often headquartered in major cities, may still be perceived as external actors when operating in rural or marginalized communities. This has given rise to what some practitioners describe as a preference for “deeply local” or “local” actors: organizations that are not only locally registered but also locally governed, socially embedded, and accountable to community structures. As expectations shift, organizations that fail to demonstrate this level of proximity and accountability risk further erosion of community trust and legitimacy.[16]

Figure 3: Localization of organizations



This tension with local communities is emblematic of a broader challenge. For instance, many CSOs struggle to demonstrate or communicate their impact, not only to the communities they serve, but also to funders, policymakers, and the wider public. Despite investing in annual reports, monitoring and evaluation (M&E) systems, and donor-facing accountability mechanisms, the message often does not resonate. The disconnect is particularly stark when M&E outputs remain highly technical, donor-driven, or detached from community realities. For example, a 2023 CIVICUS report noted that while CSOs frequently report activities and outputs, communities often perceive little tangible change in their daily lives, reinforcing skepticism and weakening trust.[17] This erosion of trust signals a communication gap: impact is being measured, but it is not landing effectively with key stakeholders.

[15] CIVICUS, 2025 State of Civil Society Report, 2025
[16] Peace Direct, Time to Decolonise Aid, 2023

2.4 Technology, Policy, and Systems Change

Broader systemic shifts are also influencing the operating context. Advancements in digital tools offer new opportunities for community engagement, data collection, and fundraising. However, technology adoption requires capacity, infrastructure, and safeguards, which many non-profits lack. Even when tools are available, staff may resist change, defaulting to legacy systems due to poor onboarding and lack of contextual training. Without tailored support and ongoing engagement, digital transformation efforts stall, leaving social impact actors unable to fully leverage technology for scale, transparency, or impact measurement. On the other hand, with the right infrastructure, skills, and safeguards, technology can be a powerful enabler, helping organizations expand their reach, enhance legitimacy, and build long-term resilience.

Moreover, political and regulatory changes have restricted civic and operational space in multiple regions. Laws curtailing foreign funding, increased scrutiny of non-profit registration, and limits on public advocacy are reshaping the terrain on which philanthropic entities, and social enterprises operate. According to Freedom House, 2025 marked the 20th consecutive year of decline in global freedom, with 54 countries deteriorating and only 35 improving. Just 21% of the world's population now lives in countries rated Free, down from 46% two decades ago.[18] The CIVICUS Monitor's most recent annual report, People Power Under Attack 2025, published in December 2025, found civil society under severe attack in a record 122 of 198 countries and territories assessed. Only 39 countries retained an open rating, while 83 were rated repressed or closed. Just 7.2% of the world's population now lives in countries where civic space is open or narrowed, 7.5 percentage points lower than in 2024. [19]

These realities stress the urgency for organizations to reflect on their value proposition and long-term strategy. The traditional model of grant-based operations is under increasing pressure, and organizations must consider whether, and how, to adapt in order to remain relevant, resilient, and impactful. In a time of reduced donor funding, low legitimacy with communities, and unclear communication around impact and value, grant reliant social impact organizations face growing pressure to reposition themselves for long-term sustainability.

[17] CIVICUS, 2025 State of Civil Society Report, 2025
[18] Freedom House, Global Freedom Declined for 20th Consecutive Year in 2025, 2026
[19] CIVICUS Monitor, Tracking Civic Space, n.d.

Figure 4: Impact of political and regulatory pressure

2.5 Rise of Emergent and Interconnected Challenges

A structural shift shaping the operating environment is the emergence of concurrent, multi-dimensional challenges that are increasingly systemic, interdependent, and mutually reinforcing. Today's disruptions converge across economic, environmental, political, and social systems. Environmental shifts, economic uncertainty, demographic transitions, geopolitical instability, and social fragmentation are unfolding simultaneously, creating a level of complexity that increasingly outpaces traditional planning and delivery models.[20] **This shift reflects a broader transition toward non-linear and emergent problem dynamics.** Multiple shocks may interact and compound one another for example, droughts or severe rainfall, triggering food insecurity that intensifies both risk exposure and operational uncertainty. As these pressures converge, the limitations of linear, project-based approaches become more apparent, requiring organizations to adopt more adaptive, resilient, and scenario-driven operating models. Overlapping crises including environmental, conflict, economic, and health are likely to reverse development gains in many regions and place additional pressure on social systems.[21] These conditions place a growing premium on **capabilities such as real-time data use, agile decision-making, cross-sector collaboration, and systems thinking.** For grant-reliant social impact organizations in particular, the rise of interconnected challenges reinforces the need to diversify revenue streams, strengthen strategic flexibility, and build institutional resilience. Navigating an increasingly complex landscape will depend not only on programmatic effectiveness, but also on the ability to operate within dynamic systems where multiple risks and opportunities evolve concurrently.

3. Strategic Renewal: Rethinking Roles, Models, and Structures

In a time of constrained funding, rising scrutiny, and blurred sectoral boundaries, organizations must move beyond survival mode and engage in deeper strategic reflection. Sustainability is not simply about accessing new funding, it is about refining purpose, repositioning within evolving ecosystems, and aligning internal structures with strategic intent. Different organizations may land at different places, and instead of offering a one-size-fits-all answer, Future Africa Consulting provides a framework for thinking through these choices. The following lenses offer a starting point for bold, principled adaptation.

[20] World Economic Forum. (2024). Global Risks Report 2024.
[21] United Nations Development Programme (UNDP). (2023). Human Development Report 2023/2024.

Figure 5: Strategic Renewal Lenses

3.1 Interrogating Foundational Assumptions

Periods of uncertainty offer an opportunity to revisit basic assumptions and rebuild strategy from the ground up. Key questions include:

- **Why does your organization exist?**
  Re-examine your mission and vision, the original motivations behind your work, and how your priorities have evolved. Would your mission still justify your existence in the absence of external funding? What enduring purpose grounds your work?

- **How has the problem you aim to address evolved?**
  Consider shifts in the communities you serve, as well as broader political, demographic, and generational changes. Has the context changed in ways that require you to redefine the issue, adjust your framing, or revise your goals?

- **What kind of intervention is most appropriate now?**
  Reflect on your theory of change and role within the ecosystem. Are you best placed to implement, convene, influence, or enable others? Who are your primary partners, audiences, and decision-makers, and has this shifted over time?

Leaders should assess their organizational characteristics to guide strategic choices. If an organization's skills and capacities are highly specialized, such as providing corrective eye surgeries or disease-specific interventions for the poorest in society, it may be best to stay focused and continue relying on donor-funded impact models. Similarly, if the problem being addressed is humanitarian in nature and unlikely to be solved by market solutions, there is a strong case for remaining within a traditional donor-funded model. By contrast, organizations that do not fit these profiles, particularly those focused on social change, advocacy, or ecosystem strengthening, may find greater strategic value in redefining their role or delivery model to adapt to evolving needs and power dynamics.

This is also a moment for leadership to reflect on relevance, if the organization no longer has access to donor funding, would its intended constituents advocate for its continued existence? If not, something fundamental may need to change.

3.2 Reconsidering Interactions Across Sectors

Shifts in capabilities, roles, expectations, and forms of collaboration among the public, private, and philanthropic sectors have progressively blurred the lines between them. Governments have increasingly **decentralized service delivery,** outsourced functions, or adopted results-based funding models. The private sector, once focused solely on profit, now integrates **social and environmental objectives** through ESG strategies, shared value models, and impact investing, and now also **delivers large-scale impact initiatives,** sometimes targeting the same issues and funds as non-profits. Philanthropic and social sectors have become more **data-driven and outcome-oriented,** often mirroring corporate approaches in measurement and management. Meanwhile, communities themselves have become **more organized, vocal, and proactive,** leading their own initiatives through mutual aid groups, youth movements, and informal networks, particularly where institutional support is absent.

These shifts are also giving rise to an emerging concept described as **"Fourth Sector"** organizations, entities that intentionally blend the operating models, financing structures, and accountability mechanisms of the public, private, and social sectors.[22] Rather than operating within a single institutional category, these organizations deploy a combination of commercial approaches, public partnerships, and social mission-driven strategies to address complex, systemic challenges. This hybrid orientation reflects a growing recognition that issues such as environmental resilience, youth employment, or health system strengthening often require integrated solutions that draw on the capabilities of multiple sectors simultaneously.

This evolving landscape requires organizations to:

- **Reassess their comparative advantage and core competencies.** What do you offer that others cannot? What does your organization do particularly well that is essential to addressing the issue at hand?

- **Reposition thoughtfully within your ecosystem.** Consider whether your current audience, influence pathways, and alliances still serve your goals. Are your partnerships aligned with your mission and theory of change? Are there opportunities to collaborate across sectors, including with informal networks such as community groups, private firms, or government actors, to achieve greater scale or legitimacy?

- **Develop flexible engagement strategies.** Your approach to partnerships, influence, or service delivery should be shaped by the nature of the problem, your organizational capacity, and the political or institutional environment in which you operate.

Furthermore, technology and digital tools are creating **new opportunities to reach audiences, reduce inefficiencies, and improve program outcomes.** However, digital transformation should

[22] María Isabel Sánchez-Hernández et al, "The Fourth Sector: The Future of Business, for a Better Future," 2021

be guided by well-defined programmatic objectives, supported by adequate internal capacity, and aligned with the organization's strategic role within the broader system. Importantly, organizations must also assess the digital readiness of their audiences, including access to infrastructure, affordability of devices and connectivity, and digital literacy levels, particularly in rural and remote contexts, to ensure solutions are inclusive and equitable.

3.3 Consider What Models Are Appropriate to Each Issue

Effective organizational strategy begins with clarity about the problem being addressed, not with the structure or funding model. In today's complex environment, form must follow function. Leaders should begin by interrogating the issue they aim to solve, the most appropriate form of intervention, and only then determine the organizational and financial arrangements required to support that work.

i. Let intervention strategy guide organizational strategy, not vice versa

Before deciding how your organization should be structured or funded, begin with three foundational steps:

- **Define the problem and why it matters:** What specific issue are you seeking to address, and why is your organization well-positioned to work on it?

- **Clarify the most effective approach:** What type of intervention is most appropriate, technical service delivery, policy influence, capacity-building, or systems convening? What is your most credible role, and who are the right partners to work with? Ensure strategies are contextual and evidence-based, grounded in local realities and data, to strengthen legitimacy and responsiveness.

- **Determine the necessary resources:** Only after defining your strategy should you consider what resources and funding models are best suited to support it, whether through grants, loans, earned revenue, blended finance, or community contributions.

ii. Let strategy determine structure, not legacy or convenience.

Once your strategic approach is clear, consider what kind of institutional arrangement best supports it:

- Should your initiative be housed in a **stand-alone organization, a consortium,** a **coalition,** or **embedded within a larger entity?**

- **Might the structure evolve over time? Could it be temporary?** COVAX, a collaboration between CEPI, Gavi, UNICEF, and WHO, was launched in April 2020 to secure equitable COVID-19 vaccine access. The first doses reached lower-income countries in January 2021. By its closure on December 31, 2023, COVAX had delivered nearly 2 billion doses to 146 countries, with the majority going to low-income countries. The initiative formally ended after fulfilling its mandate. Additionally, the Gates Foundation in 2025 announced that it would be doubling its philanthropic giving from USD 100 billion (given over the last 25 years) towards the closure of its doors on December 31, 2045.[23]

- **Practical considerations matter:** What legal registration makes the most sense? Which jurisdiction offers the most flexibility for cross-border operations? How proximate is the structure to your target population and decision-makers?

iii. Align your team with your model and mission.

Structure also applies to talent. Based on the strategy and model:

- Determine which capabilities need to be embedded in the **core team** to sustain institutional knowledge and leadership.

- Identify which functions are better suited to **external partners, consultants, or temporary contracts,** especially for specialized skills or innovation projects.

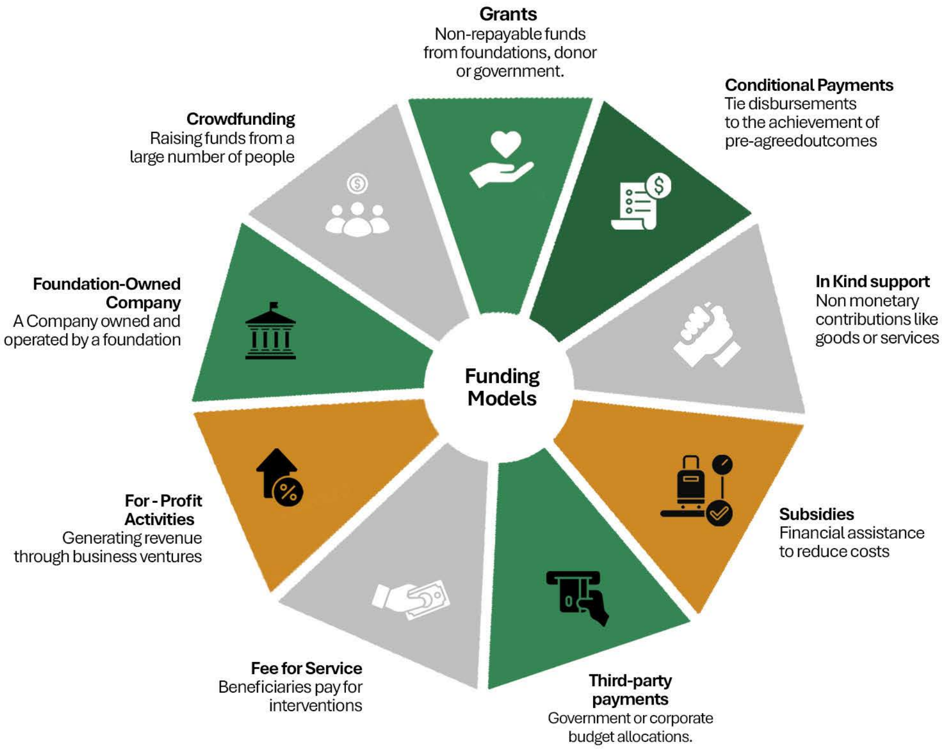
- Consider modular or "surge" capacity models that can scale quickly and adjust with evolving priorities.

Ultimately, strategic clarity should precede decisions about funding, staffing, or institutional form. Organizations that allow mission to drive model, rather than retrofit strategy into pre-existing structures, are more likely to achieve relevance, efficiency, and long-term impact, including access to long term funding.

3.4 Think About the Implications of Funding Models

Sustainability is not a binary choice between grants and business models. It lies on a spectrum of resource strategies, each with distinct benefits and trade-offs. Below are nine funding approaches and the organizational implications to consider for each. These are not exhaustive, but they illustrate the diversity of models available.

Figure 6: Funding Models



[23] WHO, COVID-19 vaccinations shift to regular immunization as COVAX draws to a close, 2023

Grant

Grants remain the most prevalent funding source for mission-driven organizations, especially those engaged in advocacy, research, and rights-based work. Typically awarded by governments, foundations, or philanthropic institutions, grants support innovation, institutional growth, and core operations. However, heavy reliance on grants often comes at a cost. Grants are frequently tied to donor-defined priorities, accompanied by rigid reporting requirements, and provide limited flexibility for organizations to respond to local needs.

To address these challenges, some funders are experimenting with long-term, unrestricted grants and trust-based philanthropy, which prioritize flexibility and reduce administrative burdens. These approaches aim to strengthen organizational resilience and allow grantees to adapt to evolving contexts. However, for many organizations, especially smaller ones, navigating competitive grant processes and compliance requirements remains a significant barrier to sustainability.

Beyond their traditional roles, grants are also evolving within broader financing ecosystems. Increasingly, grants are being positioned as strategic de-risking instruments within blended finance and impact investment structures. Rather than operating as stand-alone funding streams, grants are now being deployed to catalyze additional capital flows by absorbing early-stage risk, underwriting innovation, funding technical assistance, or providing loss protection in investment vehicles. In some cases, grant capital is used as first-loss funding, reducing risk exposure for private investors and enabling other forms of financing to enter sectors that may otherwise be perceived as high risk.

This shift has expanded the function of grants from purely programmatic support to catalytic levers that unlock downstream financing, including concessional loans, equity investments, and other forms of innovative capital. As a result, grants are recognized not only as a funding source but also as a critical mechanism for mobilizing sustainable financing ecosystems capable of scaling social impact over time.

Conditional Payments

Conditional payments, also known as results-based financing, tie disbursements to the achievement of pre-agreed outcomes. This model promotes accountability and performance, making it attractive to funders seeking measurable impact. In Uganda, the Education Performance Delivery Unit piloted results-based contracts with CSOs to improve literacy rates, with payments contingent on verified improvements in student outcomes.[24] Despite its benefits, this approach can be costly and complex to administer, particularly in sectors where outcomes are difficult to measure, such as social protection or governance. Organizations must invest in comprehensive monitoring systems and data verification processes, which can strain capacity and resources. This often necessitates evidence-based program design, specialized expertise, and clearly defined service delivery models, which can place significant demands on organizational capacity and resources.

In-kind Support

In-kind support involves non-cash contributions such as donated software, equipment, or professional services. These resources can reduce operational costs and build organizational capacity, especially for technology and infrastructure needs. For example, TechSoup Kenya, in collaboration with the Kenya Community Development Foundation (KCDF), offers nonprofits access to discounted software from major technology organizations present in the market.[25] While valuable, in-kind support may not always align with organizational timelines or strategic priorities. It requires careful planning to ensure donated resources are integrated effectively and do not create hidden costs, such as training or maintenance, and logistical and delivery costs.

[24] World Bank Group, Enhancing Performance and Accountability of Social Service Contracts In Uganda, 2020
[25] Techsoup, Tech Solutions for Nonprofits in East Africa, 2024

Subsidies and incentives

Subsidies and incentives are financial mechanisms designed to reduce service delivery costs or encourage specific behaviors. They are commonly used in sectors like agriculture, health, and energy to expand access and scale. In Malawi, the government's Farm Input Subsidy Program (FISP) increased fertilizer access for smallholder farmers. Agricultural CSOs such as National Smallholder Farmers Association of Malawi (NASFAM) leveraged this policy to expand training and market access, though the program faced criticism for inefficiency and elite capture.[26] While they can expand access and scale, they often depend on political will and require clear exit strategies to avoid dependency. Poorly designed programs risk inefficiency, elite capture, or distortion of local markets.

Other 3rd party payments (Government/corporate allocated budgets)

Third-party allocations, such as government contracts or corporate social responsibility (CSR) budgets, offer predictable funding aligned with public or corporate goals. Governments often outsource service delivery to community-based organizations and social enterprises through procurement or performance-based agreements. For example, Social Impact Bonds (SIBs) have emerged as an innovative model where private investors fund social programs upfront, and governments repay based on verified outcomes. This approach has been used globally to tackle issues like education, and health, shifting financial risk away from the public sector while incentivizing measurable impact.[27]

CSR has evolved beyond philanthropy into strategic partnerships that combine financial resources with technical expertise and innovation. In Africa, CSR initiatives are addressing healthcare, education, and climate resilience through collaborations between corporations, NGOs, and governments. For instance, CSR partnerships in sectors like healthcare access and skills development have become critical in bridging service gaps and aligning with national development goals. Companies increasingly allocate CSR budgets based on long-term strategies, aligning projects with core business strengths and community needs rather than ad hoc donations.[28] However, 3rd party payments may be subject to political shifts or corporate rebranding.

Fee for service (beneficiaries pay for at least some of the intervention)

Fee-for-service models involve charging beneficiaries partial or full fees for services. This approach promotes efficiency and financial independence, making it attractive for organizations delivering tangible products or services. One Acre Fund, a not-for-profit operating across nine sub-Saharan African countries, gives smallholder farmers access to quality seeds, fertilizer, and other inputs on credit, with repayments due after harvest. Rather than relying entirely on donor funding, the model is largely sustained by what farmers themselves pay back. This hybrid model has allowed One Acre Fund to scale to millions of farm families while maintaining strong accountability and farmer ownership.[29] However, this model risks excluding marginalized groups unless pricing is carefully structured and complemented by subsidies or sliding-scale fees. Organizations must balance financial sustainability with equity and access.

[26] ICRISAT, Making seed of improved groundnut varieties more accessible to smallholder farmers: Lessons and alternative approaches in Malawi, n.d.
[27] Social Finance, Social Impact Bonds, n.d.
[28] African Leadership Magazine, CSR Partnerships in Africa Addressing Development Challenges, 2024

For profit activities (IGAs in addition to other sources)

Income-generating activities (IGAs) allow organizations to operate commercial ventures that generate unrestricted income. This reduces donor dependency and increases flexibility but demands business acumen and robust governance to avoid mission drift. A notable example is SHOFCO, which runs water kiosks in Nairobi's informal settlements. These kiosks serve over 40,000 residents daily at prices 60% lower than private vendors, with revenue reinvested into education, health, and livelihood programs.[30] While IGAs can strengthen resilience, they require upfront investment, market analysis, and risk management to ensure alignment with the organization's mission.

Foundation-Owned Company Model

An emerging model is the foundation-owned company model, where a philanthropic foundation holds a controlling stake in a for-profit enterprise and uses the company's dividends to fund charitable activities. This structure reverses the more common approach in which corporations establish foundations for philanthropic work. Instead, the foundation serves as the long-term owner of the business, ensuring that commercial success directly supports social impact. Well-known examples include the Hans Wilsdorf Foundation, which owns Rolex, and the Novo Nordisk Foundation, the majority shareholder of Novo Nordisk, both of which channel profits from their companies into philanthropic initiatives. While this model remains rare in Africa, it illustrates an alternative pathway to philanthropic sustainability by linking long-term commercial value creation to charitable funding. However, it requires strong governance structures to balance financial performance with the foundation's social mission and to ensure that commercial interests do not overshadow impact objectives.

Crowdfunding

Crowdfunding mobilizes small donations from many individuals, typically via online platforms. This model builds visibility and grassroots support, making it effective for campaigns that resonate emotionally or have strong storytelling elements. Digital platforms, such as crowdfunding sites, social media, and email campaigns, offer cost-effective, wide-reaching channels for attracting individual donors, with 65% of African CSOs reporting receipt of such donations, often facilitated through these tools.[31] Afrika Tikkun in South Africa has successfully used GlobalGiving to fund youth empowerment programs, leveraging compelling storytelling and active donor engagement to attract global support. [32] However, crowdfunding can be unpredictable and labor-intensive, requiring continuous engagement and marketing efforts. It works best as part of a diversified funding strategy rather than a standalone solution.

[29] https://oneacrefund.org/, n.d.
[30] SHOFCO, WASH, n.d.
[31] Epic Africa, Challenging the Myths: New Data Reveals the Power of African Individual Giving, 2024

4. Conclusion

The most resilient organizations will not be those that simply replace lost funding. They will be those that use this moment to fundamentally reassess their role, value proposition, and operating model in a rapidly changing ecosystem. Financial sustainability is ultimately a by-product of strategic relevance. Organizations that remain clear about the problem they are solving, deliberate about the role they are best positioned to play, and disciplined in aligning their structure, talent, and financing with that role will be better positioned to attract long-term support and deliver enduring impact.

For leaders, the current environment presents an opportunity to confront a set of critical questions:

- **Purpose and Relevance:** If external donor funding disappeared tomorrow, would the communities and stakeholders you serve fight for your organization to continue existing?
- **Comparative Advantage:** What does your organization do uniquely well, and is that role still needed in the ecosystem?
- Strategic Positioning: Are you best placed to implement directly, influence policy, convene stakeholders, or enable others to deliver impact?
- **Organizational Model:** Does your current legal structure, governance model, and staffing approach support your strategy, or constrain it?
- **Funding Fit:** Is your financing model aligned with the nature of the problem you are solving, the beneficiaries you serve, and the outcomes you seek to achieve?
- **Partnership Strategy:** Which capabilities should you build internally, and where should you collaborate with governments, communities, private firms, or peer organizations?
- **Technology and Innovation:** How can digital tools and new technologies strengthen your effectiveness without excluding the populations you aim to reach?
- **Exit and Evolution:** If your organization achieved its mission, what should happen next? Should it scale, spin off, institutionalize, or close?

There is no universal blueprint. Some organizations will reaffirm their commitment to a grant-funded model. Others may evolve toward earned revenue, blended finance, strategic partnerships, or entirely new institutional forms. The key is to make these choices intentionally rather than by default.

If any of the questions or tensions raised in this paper resonate, if they named something your leadership has been circling but not yet confronting, that is likely where your strategic work needs to begin.

Please feel free to contact us – info@futureafrica.com, if you'd like to discuss the report in more detail.

[32] GlobalGiving, Empowering Future Female Leaders of South Africa!, n.d.

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