





Module Introduction

This module answers the question:

What does a network need to know and do to be financially strong and sustainable?



Module Objectives

- Look at who has a role in the financial health of the network
- Review the network's financial systems based on the financial self-assessment
- Develop short and long term action plans for financial strategies to improve your network's sustainability.





Financial Management Roles and Responsibilities

Financial management is everyone's responsibility:

- Board of Directors
- Secretariat Executive Director and Chief Financial Officer, Treasurer, or member volunteers
- Secretariat staff or member volunteers
- Network members
- Donors and other stakeholders

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Roles and Responsibilities Exercise

1. Review the flipchart with different levels of the network, and the sticky notes with different financial responsibilities.
2. Discuss what level of the network should perform each responsibility, and place the sticky note on the flipchart corresponding to the appropriate level. Some responsibilities may be shared across levels.
3. Present your results in plenary.

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Board's Fiduciary Responsibility

The board is responsible for the stewardship of the network to ensure that:

1. management, financial and operating activities, and
2. all significant decisions

accrue to the benefit of the network and its sustainability.

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Related Board Duties

- **A duty to care.** Board members are committed to the success of the network.
- **A duty of loyalty.** Board members abide by a code of ethics.
- **A duty of obedience.** The board members agree to abide by the policies of the network.

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Exercise Questions

- Considering all of the content in this session, how well do you or the board members as a whole understand your/their fiduciary responsibilities?
- What would help you/them understand these better?

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The Four Pillars of a Financial Management System



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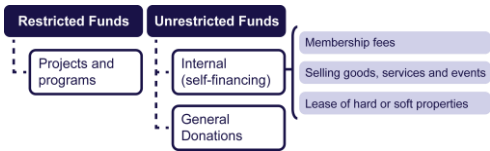
Sustainability

Sustainability is the ability of a network to fund future activities and endeavors through a combination of earned income, fundraising activities, and financial support from the public sector.

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Restricted and Unrestricted Funds



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Handout 5.5: Example Networks

	Network A	Network B
Funding mix	100% restricted and 0% unrestricted funding	75% restricted and 25% unrestricted funding
Diversity of donor base	A number of donors fund projects, but not operating costs	One donor provides all restricted funding; unrestricted funding from a variety of sources

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Exercise: Funding Mix and Donor Dependency

Review *Handout 5.5*. In small groups (A and B), discuss:

1. What are the risks each network has?
2. Which network has a better strategic approach to its challenges? Why?
3. Based on this information, which network is more sustainable?

Report out in plenary.



Handout 5.5: Example Networks

	Network A	Network B
Funding mix	100% restricted and 0% unrestricted funding	75% restricted and 25% unrestricted funding
Diversity of donor base	A number of donors fund projects, but not operating costs	One donor provides all restricted funding; unrestricted funding from a variety of sources
Reserves	No reserves	1 month of operating costs, with a plan to build up to 3 months using unrestricted funds



Example Exercise

In your groups, A and B, respond to the following questions:

- What are the financial risks of your example network? (Consider the mix between restricted and unrestricted funding, donor dependency and sustainability strategy?)
- Will the funding plan, including reserves, logically lead to greater sustainability? Why or why not?



Cost Savings Techniques

- Analyzing unit costs
- Rental costs
- Human resources, if any
- Consulting services
- Activities grouping

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Case Study

In your groups, discuss the following question:

If you were the Executive Director of this network, how would you improve the sustainability of the network and why?

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Exercise: Financial Strategy

In plenary, discuss:

1. What is the current funding mix?
2. To what extent is your network donor dependent?
3. How many months of operating expenses do reserves represents?
4. What are the financial risks?

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Exercise: Financial Strategy (II)

In small groups, consider what could be improved in your network's current financial situation. Each table discuss a different question.

- Does your network have an appropriate funding mix currently? If not, what is the desired (realistic) funding mix?
- If you believe that the network needs more unrestricted funding, what could you realistically do to increase it?

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Exercise: Financial Strategy (III)

- If you believe your network needs more restricted funding, what could you realistically do to increase it?
- Do you believe your network's current level of reserves is adequate? If not, realistically, what is the desired level of reserves (in # of months of overhead costs)?
- What costs could the network reduce?

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Short and Long Term Action Planning

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