



Photo: Yelyzaveta Serhiienko/Press office NBU

HIGHLIGHTS

- Realistic costing and reimbursement are vital for think tank sustainability, but difficult to achieve.
- Think tanks need to be flexible, adapting to donor interests while respecting their own mandates.
- Strong financial and managerial capacity is crucial to attracting and responding to funders.

Exploring think tank funding models

TTI Insights distill ten years of learning from the Think Tank Initiative to inform donors, researchers, and practitioners working to strengthen policy research. Here we discuss how the think tanks we funded approached the pressing need to diversify funding.

What's at stake?

Funding and sustainability are among the biggest challenges developing-country think tanks face. Many depend heavily on international funding, but financial pressures, changes in domestic policies, a focus on private sector-led growth, and an overall decline in aid to middle-income countries have meant that funders are increasingly reluctant or unable to provide medium- to long-term support.^{1,2}

As core, flexible funding evaporates, think tanks increasingly depend on individual project contracts or grants. This greater reliance on short-term, contracted research threatens the independence and credibility they require to influence policy — and jeopardizes their very survival.

Policy research organizations, such as [those the Think Tank Initiative \(TTI\) supported](#), urgently need to adapt to differing donors' priorities and funding

modalities while seeking new revenue streams. This calls for innovation and adjustment of their funding and business models to survive.

What have we learned?

Despite a more challenging funding environment, our final evaluation³ found that most organizations we supported are more resilient today than when we started. A few significantly diversified and grew their funding sources. Many made modest progress, although their funding levels remain insecure. Still others are struggling to deal with the end of TTI funding.

Our core support and engagement by TTI program officers and expert consultants have enabled organizations to reflect on their sustainability and experiment with revenue-generating activities. Below we describe some funding issues think tanks in all regions faced and how they are addressing them.

OUR APPROACH

TTI provided core funding, combined with capacity development, monitoring, and advisory support from TTI staff and external experts. Following recommendations from our first phase evaluation, we focused more closely on think tanks' financial resilience during our second phase (2014–2019). In addition to one-on-one support, we organized courses, workshops, and webinars to boost think tanks' internal financial capacity and ability to navigate a changing funding environment.

We also sought to enhance relationships between think tanks and funders by:

- commissioning studies on donor commitment and the funding landscape;
- convening regional meetings and three global donor forums to discuss these issues; and
- targeting a large part of our communications and outreach efforts to funders.

Capacity-building programs launched in 2016 helped Latin American think tanks design, strengthen, and implement sustainability strategies. In Africa, an 18-month project deepened the understanding and use of business model concepts.



Photo: BBC World Service/Flickr

1 Realistic costing and reimbursement are vital for think tank sustainability, but difficult to achieve.

The issue of research costing is two-sided: how do think tanks determine the full cost of a project — which rightfully includes a share of the overall costs needed to operate the organization — and how do they recover those costs from donors? This remains a challenge for the think tanks we supported.

Knowing the full cost involved in producing and disseminating quality research — and retaining qualified staff — sets a baseline for financial analysis and provides evidence when requesting reimbursement. It also offers donors greater transparency and understanding of value for money.⁴

Without this evidence, organizations are in a weak bargaining position as most donors cap indirect cost recovery or negotiate a rate lower than the true recovery rate. Funders' different policies and practices aggravate the situation. Most set a rate as a percentage of the grant — usually 10 to 15% — while others require that costs be presented transparently as a charge to the project. Views about what constitutes a direct project cost vary, however. In either case, the amount is seldom sufficient: our experience shows that a minimum of 20% of project costs is required.

This shortfall is likely to continue, if not worsen, as projects with insufficient overhead funding, and costing that fails to cover administrative and research coordination functions, are becoming a larger portion of financial portfolios. Solutions to financing overhead costs are neither clear nor straightforward. Some TTI-funded organizations have found that dialogue with funders can lead to a better understanding — and better rates. Our second phase evaluation noted that respected think tanks, such as the [Economic Policy Research Centre](#), have greater power to negotiate with funders. It recommended that think tanks proactively use this power. It also noted that participants in our [African Action Research on Business Models](#) project had developed confidence in presenting their arguments for appropriate costing and investments, underlying the value of our training and support.

2 Think tanks need to be flexible, adapting to donor interests while respecting their own mandates.

Most TTI-supported organizations have consolidated their resource mobilization strategies. While many focus on increasing sources of international funding — largely through contracted research and consultancies — there are exceptions, particularly in South Asia. India’s [Public Affairs Centre](#), for example, gets most of its funds from government institutional development funds, with occasional foreign project-specific grants. A related foundation provides a steady income.⁵ The [Asociación de Investigación y Estudios Sociales](#) (ASIES) has also created a stand-alone foundation to support the think tank.

Think tanks face difficult choices on how to anchor resource mobilization. As the [first interim report](#) from our Phase 2 external evaluation found, research plans often drive strategy: organizations pursue funding from sources they consider most likely to support their research priorities. The [Centre for the Study of the Economies of Africa](#) in Nigeria has refined this approach in its [innovative fundraising strategy](#) that enables it to systematically target potential funders.

Giving organizations the confidence to take risks has been central to TTI’s approach. For example, our core funding enabled India’s [Center for Study of Science, Technology and Policy](#) (CSTEP) to enter into pro bono policy engagements on wind energy, increasing its visibility and opening the door to additional work — some funded by other donors.⁶ Other organizations have enlarged and diversified their research portfolios, including [Investigación para el Desarrollo](#).

Some organizations are also monetizing products and services. The [Fundación Salvadoreña para el Desarrollo Económico y Social](#) (FUSADES) rents office space and conference facilities — turning hard assets into revenue streams. Our funding has encouraged the [Ethiopian Economics Association](#), CSTEP, and others, to invest in facilities and assets such as information technology and libraries, helping staff to work efficiently and boosting credibility. Others are turning their knowledge into training, offering both academic and professional development courses.



Experimenting with these and other strategies has helped institutions better understand who is willing to pay for their outputs, the full costs of what they do, and the value they create for end users.

3 Strong financial and managerial capacity is crucial to attracting and responding to funders.

Funding diversification requires building internal capacity to leverage and manage new sources of funding. Too often, fundraising falls to researchers and other staff who lack the proper skillset or time to discuss, learn, or implement new approaches.

TTI’s [African business models project](#) also found that project and budget development processes often exclude administration and finance teams, contributing to unrealistic costing. Not so at ASIES, where research teams prepare a budget divided into research and overhead costs. The director of administration and finance then ensures that all overheads are included, from office cleaning to electricity charges.

Many other organizations used TTI’s support to strengthen their finance and administration capacity, thereby increasing their accountability and attractiveness to donors. This entailed revising human resources and financial management manuals, upgrading their financial systems, developing funding strategies, hiring resource mobilization officers, and expanding staff for administration, finance, and monitoring and evaluation.

Putting lessons into practice

TTI hoped to illustrate how long-term, predictable core funding could be a model for aid effectiveness and lead to other donors adopting new funding modalities. These hopes have faded as donor commitments have declined. As financing trends and modalities continue to evolve, our experience shows that:

- Think tanks need to venture out of their comfort zone in terms of activities, partners, and approaches.
- Increased communication and collaboration between think tanks and funders are essential to arrive at a common understanding of research costs.

- Think tanks urgently need to transition to greater domestic public and private funding.
- Emerging economies such as China, India, and Brazil are potential new sources of funding, although there are **many hurdles** and risks associated with accessing such funds.

Bridging the gap between think tanks and funders also requires advocating for systemic change, if not to “pay what it costs”,⁷ to at least provide more flexible funding. TTI has played a role in this movement by sharing its insights and experience on funding realities, but given the nature of the work, think tanks will always need public funding. It is up to all funders to look for creative ways to equip think tanks to function effectively in evidence-to-policy ecosystems.

- 1 Moncada, A. 2013. “**Economic downturn affects think tank funding**”. On think tanks.org.
- 2 Lah, Jenny. 2017. *Think Tank Funding in developing countries: Status and Outlook*. William and Flora Hewlett Foundation and Think Tank Initiative.
- 3 Christoplos, I. et al. 2019. *External Evaluation of TTI Phase Two, 2014-2019: Draft Final Report*. Allerød, DK: NIRAS.
- 4 Struyk, Raymond J. October 2017. *Donors’ Best Financial Practice in Granting to Think Tanks*. OTT Best Practice Series.
- 5 Narayan K. Aug. 30, 2015. “**Is Bengaluru the next THINK TANK HUB?**” Bangalore: *The Times of India*.
- 6 Thorat, S., Dixit, A., & Verma, S. 2019. *Strengthening Policy Research: Role of Think Tank Initiative in South Asia*. New Delhi: Sage
- 7 Eckhart-Queenan, J., Etzel M., & Prasad Sridhar. “**Summer 2016 Debate: Pay-What-It-Takes Philanthropy**” in *Stanford Social Innovation Review*. Stanford: Stanford University.

*The **Think Tank Initiative** helped strengthen policy research organizations in 20 developing countries across South Asia, sub-Saharan Africa and Latin America. Launched in 2008 and managed by Canada’s International Development Research Centre (IDRC), TTI was a partnership between five donors.*

www.idrc.ca/en/initiative/think-tank-initiative

