



Financing Multi-Stakeholder Partnerships

Multi-stakeholder partnerships offer those involved a chance to work together to devise solutions to complex societal challenges on a long-term, sometimes institutionalised basis. The huge potential offered by these partnerships must be seen in the context of the significant human and financial resources and time they demand. With an eye to securing sustainable financing over a longer period, it is therefore recommended that the pros and cons of possible financing models be evaluated at an early stage.

When choosing the most appropriate financing model in the given context, three factors should be taken into consideration:

- the financial options available to the multi-stakeholder partnership at the given moment in time
- the legal framework within which the partnership operates, or will operate in future

- any substantive and strategic objectives and concerns.

The volume and nature of the resources required for a multi-stakeholder partnership depends on the partnership's objectives and scope. Consequently, this must be regularly re-assessed over the life cycle of the partnership to reflect changing needs and conditions. The legal form, diversity and number of stakeholders involved, structures, processes, visibility at political level, international networks and the target region of the partnership's activities must all be taken into account. The fixed costs of a multi-stakeholder partnership generally include the costs of its secretariat and the costs of regular cooperation (e.g. in-person meetings, etc.), although in certain contexts some of these costs can be reduced by the use of digital tools.

Possible financing models

All stakeholder groups can bring their specific knowledge, resources, technologies, networks and much more to a multi-stakeholder partnership. However, the long-term financing of these partnerships often presents their members with challenges. A number of commonly occurring financing models are therefore presented below, which can provide some initial guidance. In practice, hybrid forms of these financing models are often used.

Financing delivered by one or more donors

Initially at least, many multi-stakeholder partnerships are financed by one or more donors. The donors can be members of the partnership themselves or can act as external financiers. Moreover, financing can take the form of project financing for a fixed term, or of endowment capital. If a multi-stakeholder partnership is financed by one or more donors, it enjoys greater certainty regarding resources, especially at its phase of initiation and design (including establishing

the secretariat) as well as for its first activities. Provided the donor is a state entity, the partnership might also benefit from support at political level.

However, this form of financing also has its challenges. For one thing, the potentially close ties between the partnership secretariat being financed and the donor with its specific priorities might compromise (or be perceived to compromise) the secretariat's neutrality. Challenges might also arise in the course

of the partnership with regard to ownership, or the active involvement and commitment of some members (risk of free-riders). In the long term at least, options should be explored to involve partnership members in the financing. This can prepare the ground for the partnership's long term sustainability should donor financing come to an end.

Financing by members of the multi-stakeholder partnership

A multi-stakeholder partnership financed by all its members, who recognise the value of working together, could be seen as the more or less ideal way of financing this kind of partnership. Here too, contingent on the context and membership, this can take the form of project financing with a fixed term, or of endowment capital, with all members contributing. It is often possible to finance a multi-stakeholder partnership through regular membership contributions, although this depends on the legal form of the partnership and the relevant national laws. In Germany, for instance, this can be done by establishing a registered association (Verein). This solution offers the advantage of long-term financing with sufficient flexibility to factor in new and changing members within a multi-stakeholder partnership.

If the aim is to achieve a member-financed partnership, however, it is important to consider the financial capacities of the members and/or specific stakeholder groups (e.g. civil society), and compare these with the partnership's financial requirements. One obstacle to selecting this form of financing lies in the nature of the instrument. Multi-stakeholder partnerships are long-term in nature and generally need some time before they achieve tangible results. However, the members' willingness to finance the partnership often depends on the added value it brings to their organisations. In many cases, therefore, start-up funding by one donor, or a small number of donors or partnership members is needed.

Besides the capacity and willingness to provide funding, the contractual and practical possibilities for individual members of the partnership to provide funding also play a part. This might also include existing restrictions to pool or absorb resources by a separate legal entity or an individual MSP partner, who provides the MSP secretariat.



Relevance of the legal form

The legal form and possible financing models are mutually dependent. Some forms of financing are only permissible in conjunction with a specific legal form. Conversely, some legal forms limit the options for accepting funding. If, for instance, funds are to come from several different sources or members, **institutionalisation** might well be a good choice. Before adopting a legal form, it is always necessary to ensure that the financing sought will guarantee the partnership's long-term financial stability. Irregular financial contributions that are difficult to plan for (such as donations) should not generally be used to finance the main activities of a multi-stakeholder partnership, even if the chosen legal form allows this kind of financing. It is also important to remember that the legal framework in the country where the multi-stakeholder partnership is based will determine the available legal forms.

Financing the multi-stakeholder partnership through services offered

In some cases, multi-stakeholder partnerships can also establish a viable business model. A financing model of this sort generally involves the provision of services against payment. Services offered might include training and professional development services, or the provision and certification of a standard or quality seal developed by the multi-stakeholder partnership.

In-kind contributions

Another possible way of financing multi-stakeholder partnerships might be for members to provide in-kind contributions and/or services to reduce the partnership's funding requirements. This could even extend to the provision of human resources for a partnership secretariat.



For GIZ employees

Please note that these practical tips are intended only as general guidance. For GIZ-specific options and requirements, please consult the [in-house guide](#) (in German only).

Disclaimer

Multi-stakeholder partnerships should ideally establish successful collaboration for the long-term; they should address at an early stage the challenges stakeholders can face with respect to their financing. These practical tips are intended to provide an initial overview of the financing options available to multi-stakeholder partnerships, as well as the questions they raise. Individual and context-specific questions, challenges and opportunities must, however, be explored by every multi-stakeholder partnership on a case by case basis. The information provided here does not and cannot replace proper legal advice. In view of the constantly changing rules and regulations and the large number of different legal contexts in which multi-stakeholder partnerships operate, Partnerschaften2030 does not guarantee that the information set out in this document is complete, correct and up-to-date.

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