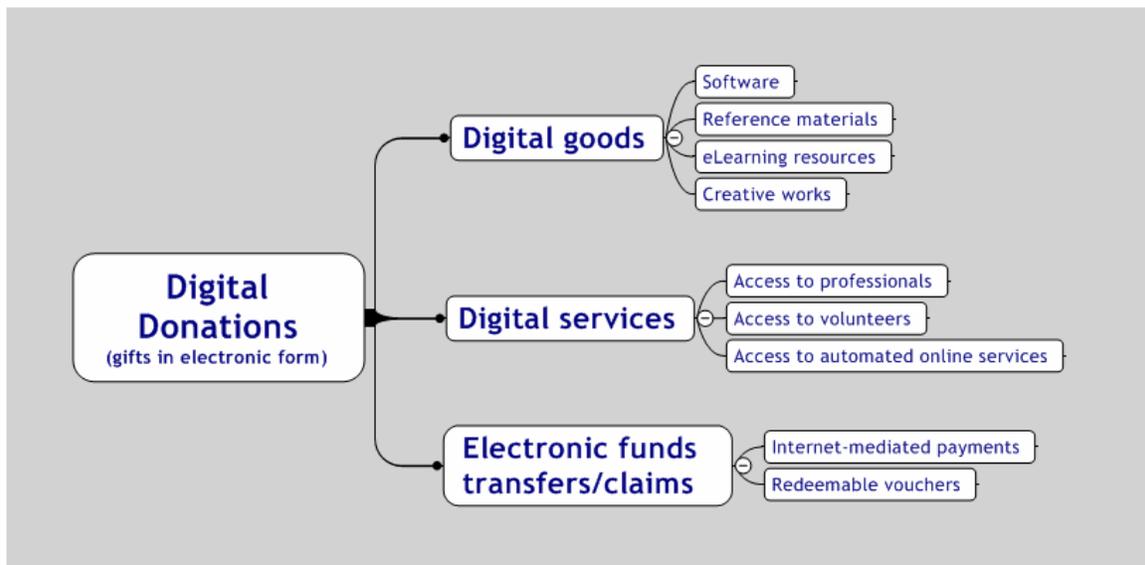# New Catalysts for Sustainability

A Global Opportunity for Digital Philanthropy[1]

FOR OCTOBER 15, 2005 MEDIA RELEASE

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APPENDICES

Executive Summary

ABSTRACT: This White Paper extends the digital revolution into philanthropy. It introduces a comprehensive set of opportunities for local nonprofit organizations and their philanthropic supporters to use digital technologies in new ways to encourage self-sustaining activities. The paper suggests that "Digital Donations" – gifts in electronic form – can be offered as challenge grants on a global scale to create oases of development even in presently-unpromising environments. Offers of microvouchers and other digital grants can open access to online skills, health care, and jobs for communities agreeing to make regulatory changes that promote investment inflows in locations where "land grants" have been given to create assets for nonprofit groups. Rising asset values can reduce the dependency of nonprofit groups upon subsidy, and provide resources for the local groups to make further Digital Donations available to residents. Given fiscal constraints and other limitations of bilateral and multilateral assistance programs, the paper proposes that philanthropies leverage a much larger pool of potential private resources for local nonprofit self-reliance: trillions of dollars of 'dead capital'—collateral-worthy property that that can be mobilized with "eGovernment" and other digitally-assisted titling and institutional reforms; tens of billions of dollars in private remittances that can help fund community-oriented initiatives in poor countries with overseas diasporas; and reserves of private philanthropy, which in the United States alone provide more than three times the foreign assistance spending of governmental foreign aid. The focus is on promoting people-to-people, grassroots community development initiatives that can move forward with or without the macro-approaches associated with governmental foreign aid programs. The paper sketches near-term as well as long-term techniques by which donors can use information and communication technologies to extend their global reach, and to make more sustainable their established scholarships, loans, vouchers, and educational and medical services. It concludes with a set of appendices outlining practical suggestions for launching Digital Donations programs: a sample agenda for a consortium of private donors, scenarios for "early win" projects by educational and medical nonprofits, checklists for donors and donees on digital-readiness and program sustainability, and a survey of some of the innovative programs already in train that provide a foretaste of the digitally-oriented transformation of philanthropy that lies ahead.

The digital opportunity

In coming years, new technologies will bring affordable bandwidth to all parts of the world. Billions of individuals in once-closed environments will have increasing access to online resources through cell phones and other user-friendly wireless systems. Even the illiterate will be reached by the growing media capabilities of the new technologies.

Local deficiencies in managerial or technical skills, as well as gaps in library, diagnostic, production and laboratory facilities, can themselves be supplied over digital networks.

This trend creates an opportunity for donors to connect directly with people around the world in new ways, without the past intermediations and overhead costs associated with global philanthropy. Combined with traditional philanthropic and developmental practices, gifts in electronic form – "Digital Donations" – can act as powerful challenge grants that will move recipients toward self-sufficiency and even toward becoming givers in their own right.

Communications technologies that enable direct links – and partnerships based on them – thus hold promise of spreading valued skills, reducing unemployment, raising life expectancy, and improving the quality of living and working environments.

Barriers to nonprofit success

Among the obstacles that have kept nonprofits from achieving self-reliance are:

- Lack of information about opportunities for self-sufficiency

- High costs and shortages of needed skills and services

- Problems in affordably delivering products and services sensitive to local needs

- Challenges in maintaining an active membership base

- Difficulties in securing asset endowments; and

- Bureaucratic delays, red tape, customs duties, and/or corruption.

In developing countries, the effect of these obstacles has been crippling. International diaspora remittances – estimated now to exceed $130 billion annually – are prevented from reaching self-help groups and business ventures by blockages in information flows and in institutional practices. Flaws in titling and dispute resolution systems have driven economic activity into the informal sector, leaving as much as $9 trillion in global property assets as "dead capital" inaccessible to cooperative or individual self-help efforts.

Clearing barriers to self-help through "grassroots globalization"

Grassroots globalization opens new opportunity by leveling the economic playing field and bypassing institutional failures. The globalizing forces include:

- Broadband telecommunications links that connect people at orders of magnitude lower cost than in earlier eras;

- "Anytime, anywhere" online learning/certification resources and scholarship funds that spread skills at unprecedented speeds;

- Online markets that allow new entrants in any location to quickly find work, build reputations, and attract investors; and

- Information technology-enabled improvements in governance that offer simple and affordable land registry, online company formation, contracting, banking, and dispute resolution systems.

These trends already have begun to generate revenue and asset gains for global corporations. As technologies continue to fall in cost and grow in power, the same driving forces will overcome barriers that have limited nonprofits in the past, and soon bring opportunities of globalization within reach of billions of people at the "Base of the Pyramid."

Nonprofit advantages in mobilizing support

Local nonprofit groups are well-positioned to play a key role in using the new forces of globalization to work for the broadest possible advantage. They enjoy unmatched holdings of trust in many areas. Their main purposes—the diffusion of health, knowledge, welfare, environmentally sound development, basic skills— tie them to local aspirations. Bound to serving local needs, they will not pick up and leave when more lucrative opportunities arise. They can thus advance claims to land grants and improved regulatory regimes at least as persuasive as those made on behalf of business concessionaires. By exploiting breakthroughs in telecommunications technology they can create their own development zones even in remote places, attracting private investors on terms that raise the value of nonprofit-owned lands and other asset holdings.

International philanthropies, universities, teaching hospitals and other non-profits, for their part, have advantages that do not come as naturally to global business corporations. They can enlist volunteers, certify competencies, and build institutional structures and standards without regard to short-term standards of profitability. Their global reach can be greatly extended through online networks and wireless devices that offer new opportunities to those who have lacked means to overcome limits in their present settings.

New prospects for nonprofits to stand on their own

Local nonprofit organizations have a range of opportunities to harness the forces of globalization and move towards self-sustaining operations. They can do so by:

- Using information and communications technology to lower costs and grow revenue;

- Offering local supporters new cause for remaining active, in ways that can help resolve free rider problems and lessen volunteer burnout;

- Building assets via "land grant" endowments and build-operate-transfer development partnerships; and

- Promoting innovations in governance that awaken the value of now-dead or dormant capital in the community.

Piecemeal vs. comprehensive responses to these prospects

When applied on a stand-alone basis, any of the above initiatives can help nonprofit organizations move towards sustainability. Yet the greatest value for nonprofit groups occurs when multiple opportunities are combined. When drawn together, they can engage talents and tangible resources for nonprofit causes in a self-reinforcing spiral, lowering costs, lifting revenues, and raising asset values. A comprehensive or "bundling" approach can attract global as well as local allies. Global NGOs can help local groups obtain favorable commitments from authorities, and enlist communities of online volunteers to offer ongoing support.

Digital Donations – sparking systematic moves toward self-reliance

Digital Donations are electronically-delivered grants. They can consist of applications software, online support services, reference materials, network access and/or digital currency contributions – including microscholarships for eLearning and microvouchers for telemedicine services -- to groups and communities. Given their electronic form, Digital Donations can be delivered at exceptionally low marginal cost on a global basis as telecommunications costs decline, bypassing many of the earlier costs, delivery problems, and bureaucratic frustrations attending other kinds of donations.

Yet Digital Donations so far have been offered by donors to recipients on a piecemeal basis that limits their impact. To realize truly transforming gains, donors will need to coordinate offers of digitally transmitted donations. They can bundle Digital Donations as challenge grants contingent upon actions by the recipients to exploit opportunities for sustainability in such areas as:

- *Growing an active membership base*. Pooling Digital Donations in high-impact bundles and offering them on conditional terms can energize the membership base of local nonprofit organizations, by enabling groups to offer such enriched benefits to active members and contributors as microscholarships for eLearning, microvouchers for telemedicine, and access to self-replenishing pools of microfinance.

- *Leveraging endowments.* Digital Donations can be made contingent on in-country governmental transfers (or diaspora-funded purchases) of land and facilities that generate long-term income streams for local self-help groups.

- *Building social capital*. Digital Donations capable of reaching large numbers of residents can reward localities that introduce eGovernment policies and other reforms that will awaken "dead capital" to the benefit of social as well as business entrepreneurs.

▪ *Building international partnerships.* Digital Donations can lead to sustaining linkages between local community groups and larger nonprofit organizations aligned with their interests. Philanthropies seeking to strengthen transnational as well as local nonprofit causes can make their catalytic Digital Donations contingent upon the smaller groups entering into partnerships of mutual benefit with more globally-oriented counterparts. The local partner might also agree to commit a portion of the asset interests in a land grant scheme for the global partner to provide ongoing advisory services and other IT-enabled support services useful to its members as well as the community.

• *Building credentialing systems.* Philanthropies can introduce online systems that offer opportunities to earn individual recognition by making highly-rated contributions to global good causes or by participating in global certification programs. Global nonprofits can thus provide aspiring talent in developing countries an alternative to the price-driven "race to the bottom" competitions in online outsourcing markets. Entry paths to gain all-important initial client references can include online training programs, virtual internships, work-study projects, and open source initiatives. Through such experience, new pools of talent in emerging economies can build skills and relationships valued in the international marketplace.

▪ *Building-in give-back multipliers.* Conditions of eligibility to receive Digital Donations can include commitments by local recipients to help others. As grassroots globalization advances, "pay it forward" commitments by recipients of Digital Donations may prove of immense value in the diffusion of knowledge and skills.

A three-track initiative to outgrow dependency

A three-track initiative can be mounted by philanthropies to: 1) encourage early successes in digital technologies for established nonprofits, 2) pioneer new organizational patterns for startup nonprofits, and 3) promote more widespread recognition for leaders in digital philanthropy.

Track 1 - "Early win" strategies for established nonprofit groups (see tabular summaries in Fig. IV-1 and Appendices A and B)
Philanthropies can give preference to community-based groups that commit to making some or all of the following eight steps toward sustainability:

- *Providing Digital Donations to local supporters in good standing,* thereby giving members and allies in a community new reason to commit their time and resources;

- *Using telecommunications breakthroughs,* which can reduce costs of connecting with international counterparts by 90 percent or more;

- *Linking the grassroots base to the top of the pyramid,* enabling all members of a community to have access online to the insights and attention of respected figures;

- *Creating marketable digital products,* by recording events and offering valued insights from innovators, experts, and opinion leaders that can help local (and/or global) audiences to succeed;

- *Online sourcing and provision of services* to enhance learning and other digital resources for international clients, including online tutoring and mentoring services and transcription/translation of courses;

- *Obtaining asset endowments* such as land grants and ongoing member commitments;

- *Setting up self-funding microscholarship and human capital investment systems,* backed by land grant endowments and/or success-linked repayment systems such as offered by CareerConcepts and Lumni.com; and

- *Awakening community property values* with grassroots titling and land registry projects and other needed policy/institutional reforms. Digital Donations can reward local groups that succeed in creating favorable climates for growth of social and business ventures.

Track 2 - Strategy to catalyze new grassroots self-help initiatives (see Fig. IV-2)
To encourage startup nonprofit ventures, philanthropies can also extend "standing offers" of concentrated Digital Donations packages on a global basis. These offers can be aimed at organizers of new self-help ventures who show an awareness of the opportunities for sustainability, and a readiness to act upon them. Specific steps by donors can include:

- *Preparing baseline packages of Digital Donation with maximum appeal* to potential organizers in areas lacking established, effective nonprofit groups. Offers can include such elements as online courses, certifications, vouchers for telemedicine services, virtual internship/work-study opportunities, and telework opportunities for local residents.

- *Mobilizing endorsements from respected allies,* including globally prominent educators, health care providers, and other widely-known individuals and NGOs;

- *Generating global visibility for the standing offers,* through direct outreach, publicity in global media, and coverage in key national and local outlets in the targeted geographic or subject areas;

- *Reviewing applications and releasing the initial Digital Donation packages to exemplary "quickstart" projects,* with a priority given to new local initiatives that are willing to partner with proven, globally-known NGOs in sustainable ways; and

- *Enriching – once quickstart successes have been achieved – the Digital Donations standing offer to recipient groups* based upon (digitally-documented) progress in spreading skills, obtaining land grants, winning improvements in the local

climate for entrepreneurship and investment, or generating Digital Donations that can be shared with others.

Track 3 – Strategy to reward enablers of policy and institutional change (see Fig. IV-3)

Global awards and other forms of recognition can foster breakthroughs in policy and institutional settings that promote nonprofit sustainability. Philanthropies can offer high value Digital Donations and other resources on a competitive basis for communities where:

- *Government leaders embrace comprehensive reforms* to remove policy constraints on social and business enterprise, raising the value of land grant areas given to nonprofit causes;

- *Business innovators deliver eGovernment solutions* that improve professionalism in the public sector and enable nonprofit organizations to build assets and revenues; and

- *Local nonprofit groups and global NGOs work together* to ensure that Digital Donations reach large numbers of grassroots beneficiaries.

Elements of these strategies have begun to take hold in developing countries. The Horizon Lanka Academy, a bootstrap private school in a poor Sri Lankan farming village, has secured diaspora support for a land grant, an Internet link, and a microvoucher system (www.microscholarships.org). The rapidly-growing school is also earning revenue by exporting web design services and has begun producing student-created "eLessons" for sale in global markets. Horizon Lanka's success has prompted a decision by the country's lead IT agency to sponsor promotion of the model over the coming year to scores of other villages.

A Horizon Lanka-inspired project in Kyrgystan, backed by USAID and the Academy for Educational Development, offered in mid-2005 to catalyze local sustainable microscholarship funds for eLearning. A total of 50 communities responded to a challenge grant offer that required local telecenter operators to provide a land grant for ongoing support of each microscholarship fund. Four telecenters were chosen in September, 2005 as sites for implementation.

These "greenfield" land grant areas – and others being assembled to support nonprofit causes in Haiti, Gabon, and Somalia – will be offered to diaspora and other investors as sites for retirement or second homes, ecotourism preserves, Internet-assisted farms, and/or telework facilities benefiting from affordable telecommunications links as well as improving local skills. The land grants can fund nonprofit activities through international tendering of site concessions in which chosen developers share revenue with local stakeholding groups.

Evaluation and acceptance issues

The following questions will influence review and acceptance of Digital Donation opportunities by philanthropies and local nonprofit organizations.

- **Can Digital Donations work for the unconnected "base of the pyramid?"**
  Cellular phone systems, next-generation Wifi and Wimax systems, and new low-cost two-way satellite broadband solutions will bring affordable bandwidth to billions of people in coming years. Local microvoucher funds – using e-Gold, Paypal, or similar online currencies – can expand grassroots access to global eLearning and telemedicine services, and assure early purchasing power to attract private telecommunications providers. Underwriting direct physical provision of basic hardware and infrastructure, though always a philanthropic option in certain situations, should prove dispensible over time as Internet access becomes as ubiquitous as radio broadcasting is today.

- **Do people have to be literate or have computer skills to benefit from Digital Donations?**
  Digital Donation strategies that include rich media resources – accessible through television, radio, DVD and cell phones as well as computers – can reach large numbers of people who are neither literate nor familiar with computer hardware. Offers of microscholarships for computer-based learning, moreover, can be designed to incentivize people with computer skills to spread skills to low- and unskilled residents.

- **How can Digital Donations work in cases where local groups have weak technical/management capacities?**
  Offers of Digital Donations in these cases can require agreement by local groups to form partnerships with globally-respected NGOs willing to provide training to build local capacity, and active online support in launching the initial income-generating projects.

- **How can land grants be converted to income-generating assets in areas with challenging conditions?**
  Combining eLearning systems that spread valued skills, affordable bandwidth that opens global telework markets, and eGovernment systems that increase trust in governance can help make specific sites attractive to investors even in otherwise unpromising countries. Private capital from diaspora and other investors and developers can flow into revenue-sharing partnerships with nonprofit groups for projects in agriculture, ecotourism and nature preserves, vacation homes, and retirement home developments.

- **How do Digital Donations relate to more traditional grant-funded projects?**
  Initially, Digital Donations can be introduced as a complement and overlay to established grant programs. Later, if the donors wish, they can be incorporated as a fully integrated multiplier of philanthropic resources.

Next steps

The following joint actions by philanthropies can be taken to realize these potentials in the near term:

1. *Launch a Digital Donors Consortium to set a common agenda*
A working group of interested philanthropies can form a Digital Donors Consortium to coordinate offers and set harmonized eligibility conditions for supporting new and established grassroots initiatives. The group can also explore frameworks for success-sharing partnerships between global and local nonprofit organizations, as well as "giving back" and pay-it-forward agreements by local recipients of Digital Donations.

2. *Build alliances with global good causes to assist local sustainability initiatives on the basis of mutual benefit*
An early activity of the Consortium can be to interest higher education providers, telemedicine networks, and other prestigious private voluntary groups in Digital Donations-supported microscholarship and microvoucher funds, as well as inclusion (upon agreement by local partners) in land grant asset gains.

3. *Engage "top of the pyramid" individuals*
Leading individuals can give support through endorsements, as well as through agreements to take part in online chats, web conferences, or other media events that benefit Digital Donation-assisted grassroots self-help groups.

4. *Create resource portals and downloadable toolkits for Digital Donations-assisted social entrepreneurs*
These resources can include case studies of exemplary sustainability projects, specialized business plan templates, interviews with successful practitioners, and links to useful resources. The toolkits can also feature descriptions by well-regarded potential partners of privately-funded infrastructure and other improvements that can occur as local regulatory changes and land titling reforms take hold.

5. *Launch an online clearinghouse for volunteers*
The Digital Donors Consortium can also sponsor online peer-to-peer forums moderated by successful practitioners, where interested individuals, onshore and offshore, can start or join global virtual teams of volunteers and build reputations by assisting local sustainability initiatives.

6. *Sponsor high profile awards to encourage breakthroughs*
The Consortium could also organize a premium package of benefits to be offered to locations designated by the Consortium as a "World City" or more modestly as an "Open World Zone." Such locations, if established with liberal visa and work permit policies open to individuals who gained threshold levels of skills and certifications online, over time could become new centers of investment and growth on terms that benefit local and global nonprofit causes.

Impacts of such coordinated actions can be far-reaching. In the United States alone overseas spending by private philanthropy is more than triple that of official government aid programs. Digital Donations represent a potential revolution by enabling private philanthropy to extend the reach and leverage of giving. They offer lowered costs, peer-to-peer delivery, and mobilization of untapped resources in donor and recipient communities alike. Most importantly, they offer a means to plant seeds for self-funding development, and to engage recipients as creators of resources that can be shared with others. If offered in concert as challenge grants, Digital Donations can encourage people around the world to begin realizing the benefits of grassroots globalization. The assets and revenues released by this means can in turn be applied to building free institutions in actual as well as virtual settings.

I. Introduction

This paper introduces a comprehensive set of opportunities for local nonprofit organizations, and their philanthropic supporters, to undertake activities on a self-sustaining basis.

Seeds for many of the ideas in this paper took form in public policy-oriented studies and projects of the Sabre Foundation during the 1970s and early 1980s in the areas of expanded ownership, free-market zones, challenge grants for community self-help, and land-grant strategies for funding uses of advanced technologies for global development. These influenced initiatives for enterprise zones and privatization, including policies at local, state, and/or national levels in the United States and subsequently in other countries, including several instances highlighted in this report. Generous support from the Ford Foundation, Paul F. Glenn, Lewis Lehrman, Arthur C. Clarke, the Scaife Foundation, the Joint Economic Committee of the U.S. Congress, the Department of Housing and Urban Development, and the US Agency for International Development was instrumental to the launch and support of these projects.

In more recent years, the Sabre Foundation has embarked upon initiatives in the Philosophy of Institutions and the practice of global in-kind donations that have also informed strategies developed in this paper. The concept of digital donations as a means to extend systematically the reach of philanthropy was first articulated by Josiah Lee Auspitz, director of the Sabre-supported Philosophy of Institutions Project. Over the past decades, his work on the philosophy of institutions has sparked numerous insights on the role of high-trust relationships and the abilities of nonprofit groups to develop assets with tangible value; his oversight and distillation of the present research project findings, moreover, have proven invaluable to the author. Sabre has also been an early mover among international philanthropies in using the Internet to improve efficiencies in dealing with emerging economies. The foundation's global book donations program, moreover, has expanded its scope in recent years to include contributions of valued digital resources (in CD-ROM format) to libraries in developing countries.

Insights and experiences of many other individuals and organizations as well have informed and enriched the ideas developed in this paper. Among the writings and conversations that have been especially illuminating have been those with Alvin Rabushka of the Hoover Institution, on the political dynamics favoring tax-free trade zones; Cesar Nerys of AT&T on diaspora engagement with self-help initiatives; Robert W. Poole and Gabriel Roth on privatization trends, notably those benefiting nonprofit groups; Thomas W. Hazlett on telecommunications reforms and dispute-resolution innovations; Lewis Perelman on microvouchers for eLearning; Muhammad Yunus on peer-based lending systems and microfinance innovations as applied at the Grameen Bank; Hernando de Soto on self-help and land registry strategies for the informal sector; Harvard Business School professor James E. Austin and Kevin Murphy of J.E. Austin Associates on social entrepreneurship and competitiveness; Yasuhiko Genku Kimura on alignment of interests across cultural and religious divides; James C. Bennett and the late

Phil Salin on global telework markets for microentrepreneurs; Cong. Thomas E. Petri (a former president of the Sabre Foundation) on methods of overcoming neighborhood-level "free rider" problems; Peter Ferrara on land grant privatization strategies; Randy Fitzgerald for coining the phrase "grassroots globalization," Orlando Dovat of ZonAmerica for innovative methods of developing tax-free technology parks and for financing telemedicine services; Leif Smith of the Explorers Foundation on strategies for value-creation among networks of social and business entrepreneurs; Michael Strong of FLOW on strategies for engaging volunteers in free market-oriented global projects; Lenore Ealy and participants in The Philanthropic Enterprise listserv on the value of "giving back" opportunities; Nandasiri Wanninayaka, founder of Horizon Lanka Academy, on grassroots learning initiatives and strategies to engage students as co-creators of eLearning materials; as well as Soleman Abdi Idd, Openworld's Chairman, and Ed Warner, of the Sand County Foundation, on market-based conservation and preservation strategies. Special thanks are given to my colleagues Alexander Bokovikov in Yekaterinburg and of Meena Koka in Chennai, for the exceptional IT skills and web research talent they have brought to "opening the world."

The generous support of the Whitehead Foundation of New York City as well as private donors has made it possible for all of these threads to be woven together, and to prepare for the first time a comprehensive set of recommendations on further steps toward nonprofit sustainability that can be taken in years to come.

Mark Frazier
October, 2005

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II. Background

New forces are offering alternatives to established practices in philanthropy. Affordable bandwidth is moving to all parts of the world, allowing philanthropic organizations and charitably-inclined individuals to work with local nonprofit causes in closer, non-intermediated ways.

Communications technologies that enable direct links – and partnerships based on them – hold promise of better outcomes in the form of increased literacy, reduced unemployment, higher life expectancy, and improved living and working environments. They also offer new ways for nonprofit groups to overcome barriers that long have kept them dependent upon philanthropic subsidy, and to assist many individuals whom they are serving to become givers, as well as receivers, of charity.

A.   Barriers to sustainability

A set of interlocking, formidable barriers to self-sufficiency has faced nonprofit groups. Among the notable barriers are:

- *Lack of information about available resources for sustainability*
  Nonprofits often face inadequate and prohibitively costly access to telecommunications, limiting their awareness of global options and impeding links with resource providers. Beyond this technical problem, different communication styles and cultural assumptions keep many local self-help groups from seeing strategies and techniques that have been successfully used elsewhere. The result is intermittent rather than systematic sharing of practical insights and "best practice" innovations that can lead to cost savings or revenues.

- *High costs of securing needed talent and services*
  Many nonprofits often have difficulties finding local people with needed technical, managerial, business and/or "soft skills" (e.g. presentation and project management) to sustain cooperative endeavors. Many nonprofits also are burdened by high administrative and overhead costs in delivering services and information resources.

- *Difficulties in keeping members and supporters active*
  And the almost universal challenge has been the task of keeping high levels of enthusiasm and support from members and financial contributors alike. Many nonprofit initiatives begin with bursts of energy and optimism, followed by "burnout" as active contributors grow frustrated with free riders who enjoy the benefits without commensurate investments of time and money. Participants in nonprofit organization self-help efforts frequently lack sustaining rewards (in the form of recognition from highly-respected persons, or tangible benefits) to remain active.

In developing countries, these problems have been amplified by the difficulty of local nonprofit organizations and their members in accessing in-kind contributions and capital. The following problems are especially noteworthy:

- *Endemic reluctance to trust*
  In communities or societies governed by institutions with low levels of accountability, nonprofit organizations often face long and difficult struggles to build high levels of confidence from those they seek to serve and/or engage in cooperative endeavors.

- *Red tape, bureaucracy, and corruption*
  Predatory bureaucracies also drive up costs and reduce revenues for nonprofit organizations attempting to operate in many settings, because of time-consuming, uncertain processes for obtaining licenses, approvals, and permits. A leading economist, Allan Meltzer of Carnegie-Mellon University, has cited recent studies by the World Bank and other multilateral institutions indicating that the cost to the private sector of global corruption at all levels of government may now be approaching $1 trillion annually.

- *Untapped "dead capital"*
  As noted in the seminal works of Peruvian economist Hernando De Soto, unreliable systems of dispute resolution and land titling suppress asset creation in the formal and informal sectors – leaving as much as $9 trillion in "dead capital" out of reach for individual or cooperative self-help efforts. Government land registries, in the vast majority of communities, are paper-based systems with gaps and inconsistencies, and often are administered by political appointees or civil servants with questionable ethics. Efforts to overhaul land registry systems, moreover, have frequently encountered crippling opposition after being seen as nation-wide threats to those with interests in preserving the status quo.

- *Unleveraged remittance flows*
  As a result of the above problems, flows of international diaspora remittances – estimated now to exceed $130 billion annually – accordingly go overwhelmingly to families and friends, rather than to self-help groups and business ventures facing myriad constraints in the formal sector.

These problems have kept countless self-help initiatives from using needed information, moving to more streamlined and user-sensitive operations, and tapping capital and revenue streams. Few nonprofit organizations in such settings, in consequence, have found ways to move beyond donor dependency.

B. New prospects in the era of "grassroots globalization"

A new period of globalization is underway – one that holds promise of overcoming past obstacles to sustainable development. Affordable technologies are offering broadly based access to online learning and publishing resources, telework markets, microinvestments, and links to volunteer communities offering recognition and support.

These advances in telecommunications and information systems are enabling individuals and groups to overcome once-prohibitive location constraints and resource handicaps. As these technologies continue to fall in cost and grow in power, an extraordinary upsurge in global wealth is set to occur – one that has potential to reach of billions of people who have lived to date in poverty. Such diverse observers as US venture capitalist Vinod Khosla, Peruvian economist Hernando de Soto, and New York Times columnist Thomas Friedman anticipate creation of trillions of dollars in new wealth as this era of grassroots globalization opens.

How Large are the Next Markets?

A prediction by Vinod Khosla, the top-ranked venture capitalist in the United States:

*"I suspect that by 2010, we will be talking about [remote services] as the fastest-growing part of the world economy, with **many trillions** of dollars of new markets created."*

-- **Harvard Business Review, September, 2002**

Multinational firms recognize the opportunities from the new era of globalization, and already have begun harvesting its revenue and asset gains. Global companies in recent years have engaged new talent pools and reaped the benefit of soaring land and equity values, following introduction of affordable telecommunications links, market-sensitive eLearning networks, electronic commerce systems, and eGovernment solutions in high growth areas of once-stagnant countries and continents.

Nonprofit groups are well-positioned to play a key role in seeing these opportunities created by globalization work to the broadest possible advantage. The aims of nonprofit groups tend to be closely aligned with the interests of their members and communities, making it easier for nonprofit groups to win support for initiatives in places where people tend to distrust politicized institutions and profit-seeking corporations.

Nonprofit groups as a whole, however, have lagged far behind their for-profit counterparts in capitalizing upon cost-savings, revenue opportunities, and asset gains resulting from globalization. The lag has been especially notable with regard to the failure by nonprofit groups to capitalize upon powerful trends and associated value-capture opportunities that can help put nonprofit initiatives on a self-funding path.

Four key trends are making it easier for nonprofit groups to overcome past problems in achieving sustainability. These trends open opportunities for nonprofits to enhance services and earn revenue via access to digital resources, to build new human capital, to develop tangible assets, and to enjoy benefits from innovative applications of eGovernment.

Trend 1: Technologies are delivering new cost-savings and revenues

▪ *Telecommunications costs are falling by orders of magnitude*
Plunging costs of international and community-level telecommunications can bring pervasive broadband links to both urban and rural areas. High quality Voice Over Internet Protocol (VOIP) solutions from Skype.com and others are enabling users ranging from small entrepreneurs to large-scale call centers to drive international telecommunications costs down to a few U.S. cents per minute – with further reductions pending. These prices enable countries with liberalized telecommunications to generate substantial employment in information technology-enabled market segments. Exceptionally affordable Internet links are becoming available via VSAT satellite dishes comparable in size and cost to their one-way satellite TV broadcast receiving counterparts. An always-on, two-way satellite link that averages 2-10 times faster than dialup connections in some developing countries can be installed at a one-time expense of less than US$1000, with monthly costs in the US$100-200 range. The emergence of Wifi and (soon) Wimax systems, with one-time equipment costs of around US$100, means that this international bandwidth can be affordably shared at neighborhood levels. Quickstart solutions that combine two-way satellite broadband with neighborhood-level wireless networks will enable bandwidth to become available rapidly in any country where regulatory provisions permit.

▪ *Skills can be acquired on an "anytime/anywhere" basis*
Further breakthroughs are at hand in diffusion of skills. New e-learning systems have emerged to create and share online learning resources. Wherever bandwidth permits, short courses, workshops, seminars, and degree programs can be readily delivered – enabling students and practitioners to stay current as market conditions, skills, and technologies change. These online "just-in-time" training resources help level the global playing field for jobseekers and entrepreneurs by enabling technical, management, and language skills to permeate throughout the world at high speeds and at far lower cost than before. New paths for entry level skills development and globally-recognized certification opportunities are emerging for people in rural and urban areas alike who seek new language, marketing, business, and/or technical skills. Advanced courses are also available without past high tuition or overseas travel and lodging expense. Online materials for 1200 MIT courses, for example, are now available without charge from one of the world's top technical universities, and inexpensive courses and certifications are offered by hundreds of others.

▪ *Providers of free software and information resources are multiplying*
In step with declining telecommunications barriers, a profusion of free information resources and open source software applications is becoming accessible throughout the world. Online information libraries, coupled with powerful search engines and increasingly capable free web-based translation tools, are making it possible for local self-help initiatives and micro entrepreneurs to find and use valuable information. Freeware and shareware software applications, in addition, can provide versatile solutions for creating and sharing documents, spreadsheets, databases, presentations, and multimedia

resources. The range of software is continuously growing; more than 100,000 global open source software projects have already been launched at Sourceforge.net.

- *Online markets offer access to a full spectrum of global talent*
  Online markets friendly to small and medium-sized entrepreneurs are bringing immense numbers of new business opportunities to emerging economies. Auction markets such as Guru.com, Elance.com, and Rentacoder.com – patterned after E-Bay's feedback-driven marketplace – today allow small and new enterprises as well as larger firms to rapidly build global reputations by completing "microprojects" in fields ranging from translations and secretarial work to graphic design, web site development, research and editing services, and software development projects. Online payment and arbitration systems enable freelance specialists in areas with inadequate banking and court systems to overcome past burdens of doing business. The reverse-auction nature of the online telework markets, moreover, leads offshore entrepreneurs to consistently deliver solutions to their clients at prices of one-fifth to one-tenth of those offered by "onshore" counterparts. These cost-savings stand to become even greater in coming years, as affordable bandwidth reaches hundreds of millions of new aspiring entrepreneurs around the world, and they too enter online markets intent on gaining a track record of credential-building projects.

- *New workflow systems enable work to be done around the clock*
  Another driver of new opportunities consists of innovations in project management and coordination of onshore/offshore teams through chat rooms, Wikis, and collaborative workflow systems that connect individuals regardless of location. These are proving of value for production and delivery of knowledge-based services across time zones and national boundaries. A spectrum of web-enabled tools for online meetings, project scheduling, task assignment and tracking are making it possible for small groups of individuals and specialists to cooperate effectively. Larger companies have turned to workflow solutions built upon Lotus Notes, Groove.net, and other powerful workgroup coordination and communications tools. There also have been initiatives, such as sponsored by the von Kuenheim Foundation, which have demonstrated the value of linking remote researchers electronically to use lab equipment found in advanced centers. In most instances, these enable round-the-clock work on sophisticated projects, with responsibilities shifting to affiliated production centers in step with their respective workdays. This enhances a key competitive advantage of offshore sourcing – speed to market – to those who create teams and coordinate operations with online systems.

- *All-in-one electronic production and delivery systems yield "day one" profits*
  New all-in-one online publishing and fulfillment systems such as Cafepress.com and SwiftCD.com enable individuals or groups anywhere in the world to immediately publish and sell digital content in book and/or CD formats via the web. Originators of the projects thereby are assured of earning a good profit on each sale without any upfront setup costs or any monthly minimum expense. This approach creates opportunities for nonprofit and for-profit ventures around

the world to reach international markets, without the costs or delays associated with earlier systems for publishing and distribution. In the near future, breakthroughs in fabrication technology such as are now emerging at MIT's Center for Bits and Atoms will enable creators of digital content anywhere in the world to see their designs assume an affordable, physical form.

Trend 2:   Partnerships can engage people in lasting ways

- *Groups of volunteers will work for free to build "reputation capital"*
  New reputation-driven systems are emerging to keep peer groups engaged for the lasting benefit of nonprofit causes.

  - *Volunteers join online teams to build reputations.* Over the past 15 years, the success of all-volunteer teams in developing open source operating systems, software applications, and creative works (e.g. Creative Commons) has proven the power of a new "peer production" model for nonprofit enterprise. In this model, volunteers may earn recognition from their peers, as well as from leading figures in their field of endeavor, by making digital contributions that receive high feedback ratings. As the global costs of telecommunications continue to decline, an increasing pool of volunteer talent will become available to assist a range of endeavors.

  - *Peer groups advance members' credit ratings.* Another powerful model for sustainable development has grown in recent decades in developing countries, through the formation of peer groups to access private funding sources. The leading example is the Grameen Bank of Bangladesh, which began in 1976 to make small loans to microentrepreneurs who joined together in self-chosen groups. Grameen has since become the largest microcredit facility in the world, serving millions of poor villagers with exceptionally high repayment rates, given that the failure of a borrower to honor loan repayments can adversely affect future credit opportunities for the entire group. The success of this peer-incentive driven model has been reinforced by the direct stakeholding that all members in good standing receive in the bank as a whole. Today, the members own more than a 90 percent interest in the Grameen Bank, and therefore have a strongly shared interest in its continued success and growth.

- *Direct "human capital investments" can raise incomes*
  Another trend is for nonprofit organizations to offer members in good standing opportunities to receive investments to increase their earnings. Nonprofit business incubators, for example, often make these investments in return for equity stakeholdings to ensure sustainability. For-profit "human capital investment" ventures such as Lumni Finance and CareerConcept have set a precedent – adaptable for use by nonprofit groups as well – of investing in

higher education for selected individuals, with repayment via an agreed small share of their future earnings rather than loan installments.

- *Community membership agreements can fund a wide range of public goods*
  In a growing number of areas, nonprofit groups have woven automatic-membership provisions into property titles as a lasting way to overcome free rider problems and to fund community services that were once dependent on taxpayer or developer subsidy. Automatic membership associations in North America have grown from approximately 600 during the 1960s to more than 100,000 in the current decade, as developers of property have recognized the advantages of creating such self-supporting nonprofit organizations that are run by the residents themselves. In recent years, such homeowners associations have also expanded in Brazil, the Philippines, and dozens of other developing countries, creating a revenue base for nonprofit groups that is independent of government or donor support and that can ensure market-based delivery of services desired by members on a sustaining basis.

Trend 3: "Land grants" and Build-Operate-Transfer systems generate gains as globalization proceeds

In the past, nonprofit organizations have tended to look for cash endowments or operating subsidies from donors. An attractive option is for donors and business ventures to convey tangible in-kind endowments – in the form of real estate and/or infrastructure improvements – to nonprofit causes. Financial gains from such endowments can be accelerated through use of electronic markets and digital technologies.

- *Land grant endowments offer a path to long-term sustainability*
  Public and private sector conveyances of land have shown their ability to contribute revenues for universities and other nonprofit causes both in the United States and overseas. Since the passage of the Morrill Act in 1862, which established the initial land grant colleges, scores of leading North American universities have been endowed with real estate, which in a number of cases has led to the creation of business and technology parks and other revenue-generating property developments. Private gifts of land have similarly inured to the benefit of universities in North Carolina's Research Triangle, and in California's Silicon Valley. Developing countries such as the Philippines and Thailand have applied similar approaches to the benefit of higher education, most notably with Chulalongkorn University, which owns the property leased by the MBK shopping complex in downtown Bangkok. Thailand has also led in innovative land-based systems value capture for community benefit in low-income areas. In the case of the Building Together group in Bangkok, poor residents in a new informal sector settlement chose to set aside land for rental to merchants given the new demand they were generating. This has become a source of ongoing revenue for their self-help effort as a supplement to in-kind contributions of members in their association.

- *Transfers of infrastructure and buildings can supplement land endowments*
  A new form of success-sharing partnership between nonprofit groups and private investors consists of "Build-Operate-Transfer" agreements, in which investors are invited to develop and operate a site or facility owned by the nonprofit group for an agreed period of time, with ownership of the improvements being transferred to the local group at the end of the term. In developing countries, the BOT approach is successfully being used to attract for-profit developers in projects to build and privately run at their own expense highways, airports, ports, and other large-scale infrastructure developments.
  .
- *Electronic markets and digital technologies can bring liquidity to nonprofits with real estate holdings*

  Advances in web-based tendering and auction systems, moreover, are now making it possible for even small land and infrastructure development partnership opportunities to reach international investors. Over the past year, the world's leading online marketplace – Ebay.com – has demonstrated the potential for real estate to be successfully sold via auction online. More than $100 million in real estate investment opportunities each week is being posted for residential, resort, commercial, and industrial sites in the United States. Increasingly, homesites and other greenfield opportunities in developing countries (example above) are now also being offered via eBay.

Beyond the near-term financial benefits of such approaches, endowing nonprofit groups with public or private sector land grants also can align their interests with the success of market-based economies and the growth of institutions conducive to sustained prosperity. Moves to improve the openness of economies can yield enormous growth over time in the assets and operating budgets available to land-endowed nonprofit causes.

Trend 4: eGovernment solutions can promote sustainability

Information technology-based systems in government – known as "eGovernment" – can improve the operating environments for nonprofit as well as for-profit enterprises, and generate revenues for nonprofit purposes.

- *Web-enabled government can lower costs for nonprofit organizations*

Initiatives undertaken by nonprofit groups often have faced difficulties in highly politicized and bureaucratic settings. In such cases, eGovernment initiatives offer a means for nonprofits to operate in far more transparent, corruption-free environments than in the past. New online licensing and permitting services, coupled with information technology-enabled land registry systems, can help awaken potentially trillions of dollars in now-suppressed land values and human resources. Demonstration projects for eGovernment in these parts of the world can help raise the value of stakeholdings for nonprofit groups holding land-grant endowments, and can attract inflows of funds from diaspora and other "smart money" donors and investors as local economic conditions improve.

- *eGovernment agreements can share revenue with nonprofit causes*
  In some case, eGovernment projects also can be undertaken through success-sharing frameworks where benefits generated by the online systems are directly shared with non-governmental organizations, whether for-profit or nonprofit. New types of partnerships are emerging to deliver eGovernment solutions at no upfront expense to public bodies; instead, the partners arranging the eGovernment solutions are financially rewarded based on revenues or cost-savings generated. Among the solutions now being delivered on this basis are systems for tendering and procurement, land registries, passport and ID issuance, drivers licenses, parking tickets, and Customs administration. Users are often offered the opportunity to benefit from automated, fast-track online systems in return for paying a fee for the convenience of online access. As implemented to date in Bulgaria, Mexico, Hong Kong, India, Chile, and the Philippines, these success-sharing partnerships reward the solution provider with an agreed small share of new revenues – or a share in the verifiable cost savings – resulting from the eGovernment solution.

*   *   *

When applied on a stand-alone basis, any of the above four initiatives can help nonprofit organizations move towards sustainability. Already, in one digital publishing site alone (Cafepress.com), nonprofit causes are offering 40,000 digitally-created products, with proceeds benefiting more than 900 nonprofit organizations. Partnering with offshore counterparts can reduce costs of many specialized service and administrative support functions by 40-60 percent. Volunteer teams using the Internet have kept operating costs to shoestring levels while building valued open source products and reference works. Land-grant endowed nonprofit groups in North America, Thailand and the Philippines have funded education and community services from property development to minimize need for donor subsidy. Hundreds of thousands of contract-based nonprofit community associations around the world have engaged members in self-funding a wide spectrum of local service and infrastructure responsibilities, in ways that require no continuing subsidy from philanthropists or governments.

Yet the greatest value gains for nonprofit groups occur when multiple opportunities for sustainability are combined. When drawn together, they can lead to a self-reinforcing spiral that engages talents and tangible resources for nonprofit causes in ways that lower

costs, lift revenues and raise asset values, thereby promoting long-term self-sufficiency. A comprehensive approach also makes it possible for nonprofit initiatives to promote opportunities in global online communities as well as in their actual location, advancing their mission and support base in new ways as telecommunications and hardware cost barriers around the world continue to fall.

C.   Today's Limits for Philanthropic Enterprise

Although philanthropies have long encouraged moves towards sustainability, few local organizations have charted opportunities for sustainability made possible by technology innovations and globalizing markets. A lack of readily-absorbed research and tools has contributed to the slower response of self-help initiatives to grassroots globalization opportunities, relative to the response of market-driven firms.

Another factor contributing to this lag, however, can be found in increasingly doubtful assumptions held by many philanthropic organizations. Among these are:

- **Past premise: Donors inherently have limited reach**
  Philanthropies in the past have concentrated upon sharing wealth in tangible form. Grants offered in this form, however, tend to be always overshadowed by the magnitude of needs and expectations found among applicants. Traditional donations, drawing upon relatively scarce pools of financial and human resources, have been able to reach only a fraction of their prospective beneficiaries, disappointing and discouraging those whose requests for support in conventional forms have gone unmet. Most philanthropists to date have done little to shift the weight of their giving to knowledge-based resources that can enrich people in far greater numbers.

- **Past premise: Good causes rarely can aspire to sustainability**
  Philanthropists have often acted on the assumption that most nonprofit endeavors are destined to remain dependent upon subsidy, given the problems of free riders and other difficulties encountered by voluntary initiatives working toward charitable ends. This assumed inevitable dependence upon subsidy has kept many philanthropists from encouraging nonprofit organizations to take steps toward enduring self-sufficiency, even as new technologies and market forces make such steps an option.

- **Past premise: Policy and institutional environments are intractable**
  Philanthropies in many cases also have treated adverse policy environments and bureaucratic practices as beyond their reach to influence or change. Rather than encourage competitions among localities and regions to adopt reforms conducive to nonprofit and for-profit success, for example, donors have hewed to traditional patterns of support for groups afflicted by often-corrupt and/or intrusive governmental authorities. A failure to establish bulwarks safeguarding local nonprofit groups from predatory power has kept many promising self-help initiatives from flourishing.

- **Past premise: Few recipients can have opportunities to "give back"**
  As a Japanese philosopher, Yasuhiko Genku Kimura, has noted, philanthropy should aim always to give its recipients "opportunities to give back, because to give an opportunity for giving (or re-giving) is an act of compassion and a gift in itself." Philanthropy as practiced to date, however, has often overlooked opportunities for granted-supported individuals and organizations to give help to others. Recipients accordingly seldom feel encouraged to move to the same plane as the donors who are supporting them. Past obstacles such as geographic isolation – and the high costs of tools for imparting experiences and insights – also have limited potentials for receivers of philanthropy to become givers of help to others.

Each of these past beliefs is now giving way as a result of innovative technologies and new globalizing trends.

Digital technologies and networks are making it possible to extend greatly the reach of donors, enabling philanthropies to offer valued digital content and knowledge-based services on a world-wide basis, at marginal costs approaching zero in many instances. Forces responsible for globalization of markets also enable new revenue flows, cost savings, and asset gains for today's subsidy-oriented recipients, by mobilizing new talent pools and by driving up the values of land grants and other tangible endowments benefiting nonprofit causes. New transparency and predictability in governance can take hold far more rapidly than before in communities that benefit from philanthropic support, through targeted eGovernment demonstration projects that yield direct as well as indirect benefits for nonprofit causes. Recipients of charity, moreover, now can readily "give back" insights and share valued experiences – via online services and new means of creating digital resources for others – as affordable bandwidth becomes accessible around the world.

In response to these trends, people with limited prospects in the informal sector will have paths for the first time to earn reputations and build capital through access to the rule-bound emerging markets offered by cyberspace. Nonprofit organizations that help individuals to connect with these new formal global markets will be in an exceptional position to share in the resulting revenues and wealth gains. Individuals seeking access to skills and microfinance will be in a position to earn these in return for agreement to invest a portion of their time or an agreed small share of their future earnings in ways that help to sustain highly-regarded nonprofit causes. Engaging new pools of global talent in such ways will enable local and global nonprofit initiatives to grow, and to engage people at grassroots levels as partners in creating free and sustainable institutions that enhance their shared fortunes.

Donors who recognize and act upon these changes can encourage comprehensive moves toward sustainability by the nonprofit organizations they have been supporting. They can also reach hundreds of millions of recipients whom they have been unable to help in the past. An affordable, far-reaching innovation to overcome past limits in philanthropic practice and to catalyze these results is at hand.

III. Opportunity: Digital Donations as Enablers of Sustainability

Digital Donations enable grant-givers to overcome resource constraints and geographical barriers that have limited philanthropies in earlier eras. As telecommunications constraints fall around the world, donors can connect billions of people for the first time with the resources that they need to obtain skills, to gain access to information on health care best practices, and to foster sustainable growth.

Grants given in electronic form have other advantages as well. If offered in catalytic ways, Digital Donations can encourage local nonprofit groups around the world to take new steps towards financial self-sufficiency. They can also help beneficiaries move from being receivers to givers, by sparking creation of new digital resources that in turn can be shared with others.

A. Types of Digital Donations

Digital Donations can be defined most simply as electronically-delivered grants of goods, services, and payments. Under this basic definition, they have already achieved a substantial measure of success.

Digital goods. Digital products are the most well-known examples at present of Digital Donations. Tens of millions of people around the world are benefiting from free digital products in the following forms:

- Operating systems such as Linux, a leading free alternative to Microsoft Windows and Apple's operating system;
- Applications software such as OpenOffice, a free open source competitor to Microsoft Office and WordPerfect suites;
- Online reference services such as Wikipedia, as an alternative to fee-based encyclopedias;
- Online directories and inventory listings of in-kind resources such as that hosted by AidMatrix.com for food banks;
- eLearning resources such as the free content for 1200 courses in MIT's OpenCourseware Initiative; and
- Visual arts, music, and literary works freely available under the Creative Commons license.

Creators of such materials commonly offer their resources to the world without expectation of direct material benefit. Hundreds of thousands of volunteers actively are giving their time in venues such as SourceForge.net and CreativeCommons.org to develop free operating systems, applications, and reference materials. They are motivated by desires to do good and to enhance their reputation in online communities. Donors of digital products typically release their creations as "freeware" with licenses that enable users to enjoy the resource without payment.

Business ventures have also embarked upon active Digital Donations programs, offering digital products through a variety of approaches. An unalloyed form of corporate-sponsored digital philanthropy consists of targeted grants, in which the creators of commercially-sold software or other products grant users free rights for an unlimited period to use the digital goods. IBM, Microsoft, Sun, Apple and others have also transferred a number of digital products entirely to the public domain, making them available without charge to all users. In a number of cases, their motives in developing and distributing free software have been to promote new industry technical standards or to win goodwill in communities seen as influential in the market. Digital donations such as open source products, in other cases, have been driven by desires to put market pressure on competitors offering proprietary, fee-based software or other digital products. As a further means of building market share, for-profit enterprises also make a limited form of digital donation by offering "shareware," in which the user can often use digital products for an indefinite period free of charge. Creators of shareware, however, encourage users to make a discretionary gift or payment to the creator after they have evaluated the quality of the offering.

Figure III-1
Types of Digital Donations
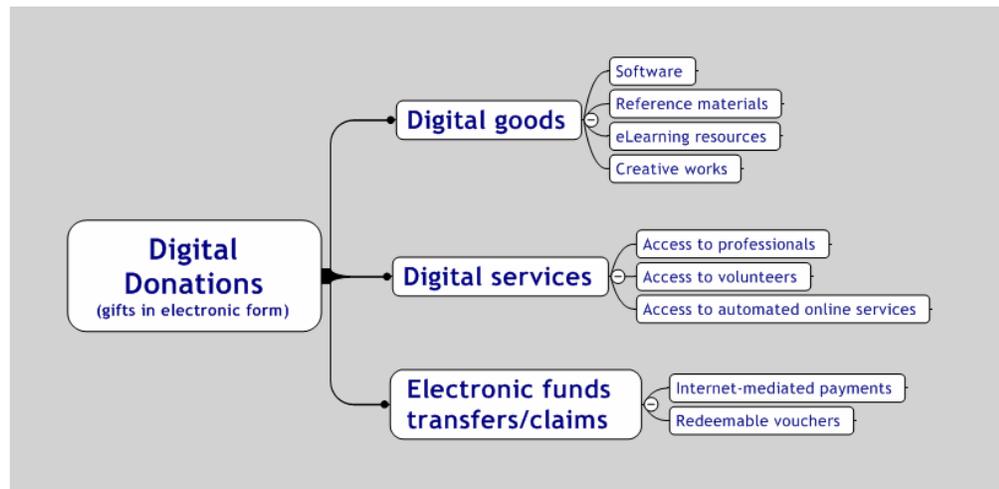
Digital services. Another basic type of Digital Donation consists of free online services. Unpaid volunteers at present operate live (real-time) help lines, internet chat services, and voice-over-internet connections of such nonprofit organizations. Nonprofit causes sponsoring live volunteer-staffed service sessions range include tutoring/mentoring for the Horizon Lanka Academy (www.horizonlanka.org), consumer advocacy (www.householdwatch.com), and performing arts (San Jose Children's Musical Theater). Professionals offer telediagnostics for gravely ill children around the world at the New Jersey-based Medical Missions for Children.

Insights from highly-regarded volunteers and professionals can be accessed through online forum postings, as well through live sessions. Discussion forums have

become a major source of insights and advisory services from individuals who have won reputations among forum members based on their online postings. Rather than receive direct financial compensation, individuals who contribute especially expert online advice and other digital services earn feedback-based ratings (e.g. "karma points" in nonprofit organization forums such as Slashdot.org).

Entry-level volunteers as well as established experts are becoming respected as valued donors of digital services. An innovative "peer to peer" system for mobilizing such contributions – potentially applicable to a wide range of nonprofit causes – has been pioneered by a for-profit company, Garageband.com. Individuals joining its web site agree to give time to rate 30 randomly chosen musical recordings from other members, before their own compositions can enter into the same peer-review system. In each round, the peer feedback system promotes the most highly-rated works to the next level, where it receives further comments and feedback by volunteers who have moved up based on similar high ratings from their peers. This self-organizing system attracts incoming members by offering opportunities, at the uppermost levels, for recognition by celebrities of the new talent that earns the highest feedback rating from its peers. The system requires minimal overhead to manage the digital services donated by more than 540,000 members, and generates valued digital products as well as systematic feedback benefiting all individuals in the system.

Digital funds transfers and claims. A final category of Digital Donation consists of Internet-mediated fund transfers that benefit charitable causes, as well as electronic payment vouchers such as online scholarships that cover tuition costs for eLearning courses and certifications). By the estimates of CharityAdvantage.com, online contributions benefiting nonprofit organizations rose to more than $2 billion in 2003, up 60 percent over the preceding year. Systems for online giving have extended beyond traditional credit card systems to include new online payment options including donations of frequent flier miles (for the "Make A Wish" Foundation) and digital transfers of precious metals, including the systems offered by e-Gold.com and Goldmoney.com. Microscholarships in Goldmoney have been used to pay students teams engaged in online work-study projects at the Horizon Lanka Academy, a private learning institution in a poor farming village in Sri Lanka.

Regardless of type, Digital Donations provide substantial advantages for both givers and receivers relative to earlier modes of philanthropy. Their benefits include:

- Marginal costs for donors of adding new grant recipients around the world can approach zero for many kinds of digital grants (e.g. on-demand learning resources, how-to information, and reference works). Recipients of such digital donations gain by having access to new resources from once-inaccessible supporters.

- Donors have the option of interacting directly with individual recipients, rather than having to rely upon intermediaries. As telecommunications costs fall, rich two-way information flows between givers and receivers can be maintained, enabling all parties to better understand the kinds of help most useful in

achieving shared aims. Traditional systems of reviewing, releasing, and monitoring grant-funded projects by contrast often have required extensive administrative procedures that impose costs, uncertainties, and delays for givers and receivers.

Although Digital Donations have clear advantages, they have realized until now only a small part of their potential to change the practice of philanthropy and the fortunes of grant-supported groups and individuals.

Their leverage has been limited in part because Digital Donations have been offered in piecemeal fashion, rather than as integrated elements in a comprehensive package capable of generating exceptional benefits. Moreover, few if any donors have set conditions for Digital Donations to encourage recipients to move toward lasting sustainability, as well as toward helping others in turn.

B. Digital Donations as catalysts of self-sufficiency

A new opportunity for Digital Donations is now taking shape. In a world of increasingly abundant bandwidth, Digital Donations make it possible for donors to catalyze moves toward sustainability in every corner of the globe. Philanthropies adopting Digital Donations can coordinate or consolidate their ad hoc offerings to ensure greater impact upon beneficiaries. They can also adopt "challenge grant" policies that prompt nonprofit groups to take comprehensive steps toward lasting financial self-sufficiency. Such Digital Donations can open a revolutionary era for philanthropy by sparking changes in the funding base of nonprofit organizations as well as in many now-unfavorable policy and institutional settings.

Informal coordination has long existed among leading international philanthropies as a way to pool resources, to avoid funding needlessly duplicative or divergent efforts, and to define basic eligibility standards for applicants seeking traditional kinds of support. Providers of Digital Donations, however, so far have done virtually nothing to coordinate or combine offerings in similar ways. As a result, Digital Donations are appreciated on a discrete basis by individuals or specialized audiences. Yet they are not offered or seen as a combined "breakthrough" package that offers opportunities in skills, health resources, job prospects, and shared asset gains.

Challenge grant policies also are well established in traditional philanthropy. Yet they too have overlooked capabilities of Digital Donations to move recipient nonprofit groups toward sustainability. Typically, challenge grants have been used simply as a means to leverage contributions from other philanthropists, rather than to stimulate action by recipients to transcend the need for philanthropic support. Few precedents exist on how challenge grants in digital form can move recipients toward lasting sustainability.

These gaps can be overcome in ways that enable Digital Donations to catalyze comprehensive moves by local nonprofit groups and individuals towards financial self-sufficiency. Donors can pool Digital Donations to make them sufficient to yield

transforming results for recipients in an era of grassroots globalization. They can also define new "challenge grant" terms and conditions that reward recipients for exploring and acting upon new opportunities that can lead to self-funding operations.

The following conditions attached to pooled Digital Donations can help to leverage lasting improvements in the fortunes of local nonprofit organizations and those serve.

- *Link the value of Digital Donations to steps made towards self-sufficiency*
  Philanthropies can offer a basic package of Digital Donations to recipient organizations that demonstrate understanding – and that commit to act upon – new nonprofit sustainability strategies. Digital Donations given on this basis can generate almost immediate gains for recipient groups, by helping them to leverage new resources from their membership base. The recipient groups, for example, can offer such Digital Donations as new membership benefits for all who remain active in supporting self-help efforts. The benefits can include microscholarships for eLearning, microvouchers for telemedicine services, and access to self-replenishing pools of microfinance. Philanthropists can go beyond this basic level of immediate support by also offering substantially enriched Digital Donation packages for local groups that move to secure land grants or other asset endowments benefiting their causes.

Figure III-2
Digital Donations
As Catalysts of Sustainability
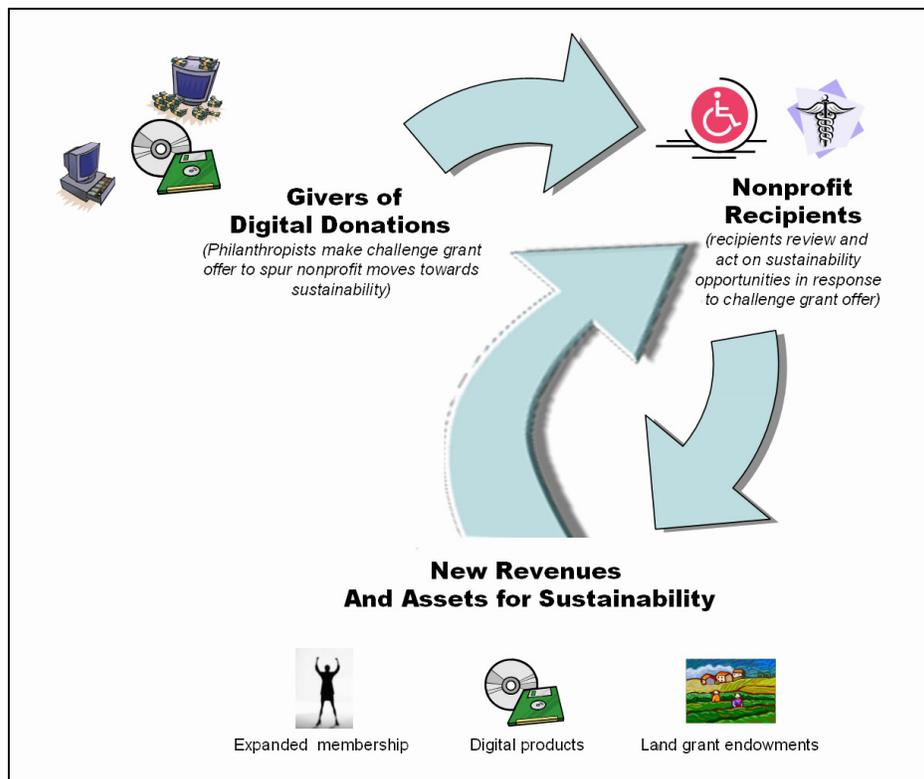
- *Offer Digital Donations for all residents in proportion to community land grants for nonprofit causes, and to removal of policy/institutional constraints*
  Digital Donations also can encourage public authorities to act on new opportunities at local and/or national levels to transfer lands and buildings to nonprofit causes, and to streamline licensing and approval processes especially to ensure that affordable bandwidth more quickly arrives in the community. The level of donations can also be keyed to moves that improve local dispute resolution systems, and that help awaken "dead capital" (through land titling reforms such as advocated by Hernando de Soto) in ways that benefit social as well as business entrepreneurs.

  In the past, far-reaching reform proposals of these kinds have often faltered because supporters had no way to ensure rapid delivery of new skills, improved health care, or jobs. Enriched packages of Digital Donations capable of reaching all in a community offer a way for philanthropists to generate public and political support in localities for introduction of needed reforms. Such enhanced packages can include "standing offers" of Digital Donations – including customized eLearning content, virtual internships and work/study projects, microscholarships for skills development, vouchers for telemedicine services, and microfinance facilities for local entrepreneurs – for the first communities in a given area that commit to land grants and to key eGovernment-enabled policy and institutional changes.

  Philanthropies can go further to spur action on needed reforms by making Digital Donations conditional simply upon designation of geographically-limited demonstration areas, rather than upon wide-ranging adoption of the changes. Many reform efforts in the past have stirred crippling opposition because they were seen as fundamental threats to the status quo. By contrast, focusing reforms upon specialized demonstration areas (similar to "special economic zones" such as have sparked China's growth surge) normally encounters relatively little opposition. Such proving grounds for liberalized policies can produce rapid gains in property values in the designated areas – benefiting nonprofit groups that have earlier obtained land grants or other properties at these locations.

- *Provide additional Digital Donations to local groups that form partnerships with leading global nonprofit organizations*
  Philanthropists who seek to promote the sustainability of transnational, as well as local, nonprofit causes can make their Digital Donations contingent upon formation of partnerships between community-based groups and their globally-oriented counterparts. In such cases, the value of Digital Donation packages can be increased at locations where local decisionmakers apply policy and institutional reforms in full measure to land grant areas (and/or to eGovernment pilot projects) where locally- and globally-regarded nonprofit groups have stakeholding interests sufficient to make their subsequent work in the community self-sustaining. Digital Donations offered for this purpose can also be made conditional upon agreements by the global nonprofit partners to introduce their worldwide membership base to a range of online opportunities

for volunteering skills and support services for the benefit of local partners, and to encouraging their membership base to donate to microscholarship funds or microinvestment pools benefiting the local partner or its members. Highly-regarded global nonprofit organizations, in return for receiving a share in the local land grant areas, also could help their in-country partners in negotiating local asset endowments of a scale sufficient to sustain active partnerships that benefit the community.

By these means, Digital Donations can trigger gains in revenues and assets that benefit nonprofit organizations in highly rewarding and sustainable ways, much as incentives for and investments by multinational firms have yielded great returns in the initial stages of globalization.

C. Digital Donations as enablers of giving back

A further opportunity for Digital Donations will be to give groups and individuals a systematic way to "give back" or "pay-forward" to others. The progress of telecommunications and information technologies is now making it possible for donors and nonprofit organizations to interact across boundaries in mutually rewarding ways. As affordable bandwidth becomes accessible around the world, recipients of charity can gain means to share their insights and experiences with others in need, and to offer services of value to global good causes.

Such changes can reverse unproductive aspects of established philanthropic practice. Donors in the past have tended to treat recipients of grants as clients, rather than as emergent partners who can join in offering valued help to others. Recipients of charitable support have frequently chafed at relationships of ongoing dependency upon outside parties. Other barriers too, have kept receivers of philanthropy until recently from systematically giving help to others, including geographic isolation and the high costs of tools for imparting experiences and insights in digital form.

Digital transmission can help remove the barriers that have kept many nonprofit causes from building "omnicentric" global networks of formal equals. Enriched bundles of Digital Donations (including software applications and microscholarships) can spread skills among local recipients that enable them to document their insights and experiences, and to share them in ways useful to overseas counterparts. Digital Donations also can help recipients build skills to provide online services of value to global counterparts on either a compensated or volunteer basis. Conditions of eligibility to receive enriched packages of Digital Donations can include "giving back" commitments by local recipients to help others in these ways. The terms under which initial Digital Donations are given can thereby ensure that successful nonprofit recipients over time themselves become sources of catalytic Digital Donations for others, enabling self-reinforcing spirals of philanthropy to spring from the initial seeds.

Pay-it-forward commitments by recipients of Digital Donations may prove of immense value in channeling the energies of aspiring talent as grassroots globalization advances.

For the first time, residents in low-wage countries are gaining the ability to acquire world-class skills, to enter as equals in online global markets and compete for a full spectrum of knowledge-based work, and to rapidly build feedback-based international reputations for excellence. High-wage economies as a result are feeling the first wave of downward salary pressures in labor-intensive professional services, as earlier occurred in manufacturing.

Downward price pressures in knowledge-based markets are set to grow as more talent from developing countries enters the market. US-based entrepreneurs overall account for the largest share of the 500,000 freelance workers to date who have registered in "reverse auction" online marketplaces such as Elance.com, Guru.com, and Smarterwork.com. Yet free entry by overseas freelancers into certain rapidly-growing online markets has led to exceptionally low average prices for many kinds of skill-intensive projects. Rentacoder.com offers the clearest case in point. More than 80 percent of its 108,000 registered programmers, graphic designers, and web site developers come from outside of the United States, drawn by a policy that lets freelancers everywhere join at no cost. Incoming freelancers at Rentacoder.com tend to bid in the $20 - $50 range to land their vital first projects, which are key to then building an internationally-visible reputation based on client feedback ratings. As bandwidth spreads to once-closed economies and connects billions of people, online marketplaces such as Rentacoder stand to attract many millions of new members. This raises the prospect of further downward price moves in a range of knowledge-intensive services. The downward price trend will coincide with improving systems for skills diffusion, certification, and online workflow coordination. As a result, established providers of services in developed countries will face new challenges from talent in developed countries hungry for opportunities and able to meet high standards of quality.

Philanthropies can be instrumental in turning this threat into a resource for the global growth of nonprofit ventures. They can do so by expanding the well-established precedent of offering internship opportunities and volunteer positions to individuals as a first step up a career ladder. In the electronic age, the entry-level opportunities offered can take virtual form and engage individuals regardless of location. Rewards in the form of relationships and globally visible references could be offered to all volunteers who perform at expected standards of ethics and skills. Individuals who earn high feedback ratings might earn Digital Donations such as microscholarships for further skills development, or credits toward microinvestments to launch their own businesses. The highest-performing volunteers might be offered ongoing compensated relationships upon completion of their agreed period of volunteer service. The sponsoring nonprofit group could thereby gain a reliable source of exceptional skills in transcription, translation, web research, graphic design, web site development, online tutoring/mentoring, help desk, or custom software development. These prospects could offer an attractive alternative for talented individuals in emerging economies who otherwise face the prospect entering as newcomers in price-driven "race to the bottom" competitions in online auction markets to gain references and build skills, experiences and relationships.

Aspiring talent can systematically help reinforce international good causes in other ways as well. Projects that attract talented individuals and teams during their credential-

building initial periods of service to global nonprofit groups can enrich the range and quality of digital resources accessible to members and supporters around the world. Multilingual resources generated by this means can include digitally-documented case studies of local self-help initiatives and services offered by partnering global non-governmental organizations.

Figure III-3
Digital Donations
As Enablers of "Giving Back"
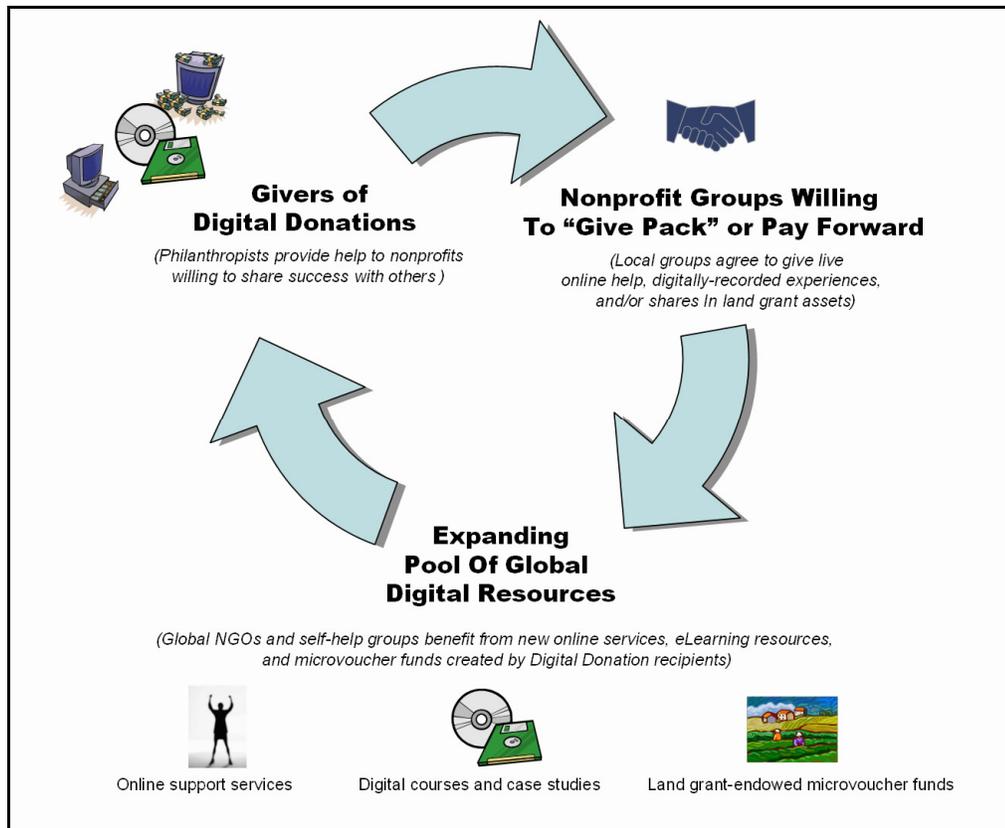
Engaging the talents of millions of aspiring students and entrepreneurs also can help in building open source eGovernment solutions for demonstration projects in now-lagging regions and communities, and in creating multilingual learning materials that spread understanding of healthy public and private sector institutional practices. Over time, digital self-help tools and transparency-enhancing eGovernment systems built by aspiring talent can promote the growth of free and self-sustaining institutions, and advance market-driven prosperity on a success-sharing basis with global and local nonprofit causes.

IV. Strategies for Broad-based Success

Donors seeking to support sustainable nonprofit initiatives and new success-sharing partnerships between global and local NGOs can move forward on three tracks. Digital Donation strategies can be implemented to deliver broad-based:

- *"early wins" for established nonprofit groups* in moving towards sustainability and becoming givers to others;

- *stimulus for new community self-help initiatives* around the world to form on a similar basis; and

- *rewards for enablers of policy and institutional changes* that encourage nonprofit groups to become sustainable on their own and in partnership.

A. Generating "early wins" through Digital Donations for established groups

Eight steps – each made possible by advancing technologies or globalizing markets – can help established nonprofit groups realize new revenues, cost savings, and asset gains in the near term. Although each step can deliver benefits on its own, nonprofit groups that commit to move forward in full can more readily achieve financial self-sufficiency, while gaining the means to help others with valued digital resources of their own.

The following are steps that existing groups can take to show their backers a commitment to become self-sustaining. (A model "Sustainability Scorecard" on these steps is provided in Appendix D for applicants to include in their grant requests to donors.) Philanthropists can encourage groups to move toward self-sufficiency by considering criteria in the Scorecard when choosing whom to support.

Step 1. Conveying Digital Donations to active supporters

Many nonprofit groups can expand their established membership base, and gain new revenues from their local allies and supporters, by offering Digital donations as a benefit to all who actively assist in their efforts. At present, many community-based groups have difficulties in engaging local participants in sustained ways. These problems can be substantially overcome as established groups gain the means to offer valued opportunities for active supporters. Digital Donations in the form of microvouchers for telemedicine services, as well as microscholarships for language, management, and other kinds of valued skills training, can provide new reasons for residents and businesses in the community to agree to join as members, and then remain in good standing as active contributors of time or funds. Philanthropists offering attractive Digital Donation packages can thereby help established nonprofit groups to leverage new resources by making it possible for the local groups to pass on new benefits to their members and supporters who remain engaged.

Figure IV-1

"Early Wins" in Digitally Assisting Established Nonprofit Groups

Actions sparked by Digital Donations	Impact on Sustainability	"Giving Back" Opportunity
Step 1. Conveying Digital Donations to active supporters Example: local groups receive online services, microscholarships, etc. from global donors, and offer in turn as benefits to members	Increases revenues for local group as membership base grows	Local groups can record experiences of exemplary Digital Donation recipients and share them with others
Step 2. Using communications breakthroughs Example: local groups in rural villages use free voice-over-internet links to connect with global NGOs	Lowers costs of telecommunications Increases revenues as local group find more global funding and partnering opportunities	Local groups can talk readily with overseas allies about new ways to add value to global good causes
Step 3. Linking the Grassroots Base to the "top of the pyramid" Example: local groups approach celebrities friendly to their cause to participate in live online or teleconference events	Rewards active members and supporters with chance of linking to well-known allies, boosting local membership base	Local groups can give back services to supportive celebrities, including agreed web research or translation services relating to their interests and favorite causes
Step 4. Creating marketable digital products Example: local groups record live online events and offer the highlights to active members, or sell them as digital products at no financial risk in global markets	Generates revenues from: • online sale of CDs/DVDs • Diaspora subscriptions to "podcast" programs	Local groups can give the digital products free to overseas supporters who make a threshold level of regular contributions
Step 5. Online sourcing and provision of services Example: local groups engage volunteers and affordably-compensated specialists for skills training and enhancement of digital content; groups also can win fee-paid projects in online markets	Lowers costs for local groups of training and staffing Increases revenues as local groups gain project contents, including web research and localization services	Local nonprofits can more affordably create digital resources to share with others
Step 6. Catalyzing endowments (Land Grant & Inkind) Example: local groups gain property holdings through privatizations or diaspora purchase of prime sites; alternatively, residents join in lasting contracts to give funds and time (e.g. propertyowners associations)	Builds tangible assets for nonprofit sustainability Strengthens member commitments to provide ongoing support	Local groups gain funds to help global NGO partners cover costs of providing skills training and ongoing technical assistance
Step 7. Setting up self-funding microscholarship and microinvestment programs Example: local groups set up self-sustaining microscholarship and microfinance funds	Gives residents new reason to join local groups as active members Generates revenues through repayments by the individuals helped and through through land grant asset gains	Local groups gain funds to help global NGO partners cover costs of providing skills training and ongoing technical assistance
Step 8. Awakening "dead capital" with grassroots land titling/registry projects Example: use IT-enabled solutions for transparent land registry systems and licensing procedures (for business startup, telecoms licenses, etc.)	Enhances land and other asset values of NGOs Stimulates economic growth in surrounding community, enabling residents to build wealth	Local groups gain funds to help global NGO partners cover costs of providing skills training and ongoing assistance Rising living standards enable residents to support nonprofit causes

Step 2. Using telecommunications breakthroughs

Advances in internet technology have made possible orders of magnitude in cost savings in telecommunications, relative to what was possible even five years ago. Nonprofit organizations can realize these savings, in many cases, with minimal cost and effort. Three telecommunications breakthroughs can deliver immediate benefits.

- *Skype (and other) free voice over Internet calling systems.* As noted in Appendix B, free software is available for downloading that can immediately ensure high-quality calling links between widely separated individuals and organizations. Approximately 50 million people worldwide, over the past two years, have used the leading software package (Skype) to bypass the costs of traditional telephone calls. Nonprofit organizations around the world can use such systems to reduce the day-to-day costs of their operations, into better prepare product and service offerings that have value in an interconnected global marketplace.

- *Wireless local networks.* For nonprofit organizations that concentrate efforts on specific neighborhoods and communities, WiFi networks in "mesh" configurations are making it possible to deliver a rich set of resources to members. Over the past year, it has become possible to network together low-cost wireless access points in ways that make it possible to offer always-on connectivity to residents of a city block at prices as low as several hundred dollars. By 2006, Intel and other large corporations expect to deliver in the next generation of wireless local network solutions called WiMax. WiMax networks will have approximately 100 times the range, and higher bandwidth, then the current standard WiFi solutions. This will make it possible for nongovernmental organizations to expand greatly the reach of information services that they can provide to their members and allies. This will enable nongovernmental organizations to save substantial costs in mobilizing their membership, and offering valued resources to them that increase their willingness to remain actively engaged with time and funds.

- *Affordable satellite broadband*. Much as the advent of small satellite dishes enabled tens of millions of people around the world to see and hear television programs offering new perspectives, a new generation of small dishes can bring affordable two-way links to hundreds of millions in coming years. These dishes, capable of downloading files at about 10 times the speed of traditional modems, make it possible for nongovernmental organizations in the emerging economies to work far more closely with their counterparts in developed countries. These gateways make possible substantial gains in creating and sharing global resources on best practice in fields such as education, certification, telemedicine, and public health and safety.

Step 3.   Linking the (grassroots) base to the "Top of the Pyramid"

In a celebrity-driven global culture, highly-regarded local nonprofit organizations have an opportunity to use affordable telecommunications to connect directly – either on their own or in partnership with leading nonprofit cosponsors – with well-known individuals, and engage them in advancing their cause. These engagements, in turn, can result in new revenue flows for the sponsoring organizations.

Well-known local, regional, and/or international allies can be invited to participate in the interactive sessions with nonprofit organizations active in the areas of their highest concern. These sessions – which can run the gamut from instant messaging "chat" sessions, to Skype-based teleconferences, and even video conferences through the Internet – can become a focus for mobilizing drives for new paid members and event sponsors.

Connecting the "top of the pyramid" with individuals and organizations representing the interests of the most disadvantaged can pay dividends in other ways as well. It is possible now to record digitally notable events in full or in part (see Step 4 below, as well as "Digital Resources" in Appendix B), and to market them to non-participants in the original event so that they can enjoy the insights of respected practitioners active in the field, and those celebrities who share their values.

Step 4.   Creating marketable digital products

Innovations in on-demand publishing are enabling established nonprofit organizations to offer high-quality, attractively packaged "products" in online markets – while incurring few, if any, startup costs.

In the content creation stage, nonprofit groups are gaining affordable means to share insights from individuals via CDs, DVDs, and/or the web. Among the most useful tools in content creation are increasingly powerful consumer-level digital cameras that can not only take still pictures, but record video segments (such as interviews and case studies) on removable digital media cards. Depending upon their size, media cards used in such cameras can now hold between 30 minutes to 10 hours of video. Nonprofit organizations can edit such recordings with freeware and shareware tools, and then turn to a number of innovative publishing and selling solutions (described below and in Appendix B) to earn income from presentations of their insights and services.

The following are examples of opportunities to affordably produce marketable content that can generate new revenues for nonprofit organizations.

> ▪ *CDs and DVDs.* New all-in-one "publish on demand" systems can produce revenues, at virtually no financial risk, for nonprofit organizations wishing to create and sell CDs or DVDs. A grassroots

academy in rural Sri Lanka, for example, has raised funds from supporters around the world by selling CDs that contain videos of the school plays and student events. Contents for the CDs are uploaded to a European-based publishing partner. This partner handles transaction processing, production, packaging, and delivery of each CD for approximately 15% of the total price set by the HorizonLanka school. The Horizon Lanka Academy receives the balance of the proceeds from each sale, which helps fund its continuing operations. A similar service caters to the growing number of organizations and individuals who are using camcorders to prepare documentaries and creative works on DVD. CustomFlix provides DVD manufacturing, order processing, payment collection and shipping in return for a payment of $50 to open an account, and a unit cost of ranging from $6.95 to$9.95 for each DVD that it publishes on demand. The organization or individual author of the DVD receives all revenues from each sale beyond the unit cost.

▪ *Downloadable "Podcasts."*   Another revenue opportunity for established nonprofit groups is to sell audio updates and features to subscribers. In the past year, it has become possible for community based groups to record audio content and to package this for on-demand delivery on a revenue-generating basis. Local nonprofit groups can use freeware tools such as Skype Answering Machine to prepare news and features of special interest to overseas subscribers, who can then download these to iPods or similar personal playback systems. Other free and affordable content creation tools and turnkey publishing systems for such "podcasts" include EasyPodcast (www.easypodcast.com); Liberated Syndication (www.libsyn.com) a service that includes web hosting for $5 a month; Propaganda ($49.95, www.makepropaganda.com); and iPodcast Producer ($149.95, www.industrialaudiosoftware.com). These tools can open new ways for local groups in developing countries to stay in closer touch with members of their respective diasporas, and to gain an increased share of the estimated $130 billion in annual overseas remittances.

▪ *Publications.*   Selling publications to local, regional, and global markets offers another revenue opportunity for established nonprofit groups. In the past, for example, the tasks of publishing, selling, and distributing books have been long and arduous ones for groups using traditional means to produce publications. On-demand publishing solutions have emerged to overcome these obstacles. Without any upfront or fixed monthly costs, nonprofit groups around the world – and even individuals – can go to web sites such as Cafepress.com, register and upload their document files, set up an online storefront, specify the price that they wish to charge, and then collect royalties. Cafepress.com handles the printing, payments processing, and delivery, at an established fixed unit price, sending

the balance of the proceeds from each sale to the creator of the publication. The bound books or pamphlets are individually printed upon receipt of each order that is placed through the creator-managed free Web storefront.

Step 5. Online Sourcing and Provision of Services

Opportunities are growing for established nonprofit groups – regardless of location – to source needed service solutions in exceptionally cost-effective ways. They have new options to engage volunteers and affordably-compensated specialists in the provision of valued services, including skills training and support for the creation of digital content that can be sold in local, regional, and/or global markets.

Free services from highly-skilled and motivated volunteers can be accessed through online clearinghouses such as at www.networkforgood.org. Invitations can attract "virtual faculty" to offer nonprofit groups specialized language, business, and technical skills using free Internet calling software such as Skype. Volunteers also can be engaged by this means to bring specialized technical and multimedia presentation skills to content development projects. Additional volunteer teams that specialize in building free digital products can be located by keyword searching at www.sourceforge.net, where more than 60,000 teams have launched open source software initiatives. Nonprofit groups that wish to initiate their own, customized open source projects can establish workspaces without charge at the SourceForge.net site as a nexus for attracting dedicated volunteers.

Other options also exist for engaging global talent in response to specific needs of established nonprofit organizations. In more than two dozen rapidly-growing online markets for telework projects, approximately 500,000 entrepreneurs from around the world today are competing in "reverse auctions" to provide services and build globally-visible reputations in fields such as remote secretarial services, bookkeeping, graphic design, transcription, translation, web research, marketing research, editorial services, web site design, and database development. Individual bids frequently are in the $30 - $100 range at sites such as www.rentacoder.com, www.elance.com, and www.guru.com. These electronic markets are becoming known for their ability to provide exceptionally cost-effective solutions to both nonprofit and for-profit organizations. Because buyers and sellers at the end of each project give one another publicly-visible feedback ratings, almost everyone in these markets goes to great lengths to ensure mutual satisfaction.

Through volunteer help and affordable online outsourcing solutions, for example, nonprofit groups can draw upon a range of specialists to prepare digital recordings of interviews, workshops, seminars, and conference proceedings, thereby making them marketable in online global markets. This can help in generating revenues for the digital products as noted in Step 4 ("Creating Marketable Digital Products").

Another revenue opportunity for nonprofit organizations consists of *providing* services, as well as digital products, in global electronic markets. Organizations that can arrange transcription, translation and localization capabilities, and/or that are able to do web-based research, have opportunities to offer services valued by international counterparts. Already, in the case of eLearning materials, grassroots organizations even in remote rural areas, such as the Horizon Lanka Academy in Sri Lanka, are entering into partnerships with international counterparts that include compensated Internet research, web site design, and courseware development services. A similar partnership between the Monterrey Institute of Technology in Mexico and the National Technological University in the United States – a distance learning consortium of more than 40 top engineering schools – has been generating revenues for all parties by enabling distance learning courses originally given in English to be translated and localized for the Spanish-speaking market throughout the Americas.

Step 6.   Catalyzing endowments (land grants and inkind contributions) in local communities

Existing community-based groups can make great strides towards sustainability by securing tangible assets as endowments for ongoing operations. One proven means for ensuring such support for educational initiatives is through private or public sector conveyance of "land grants" after the precedent of universities in North America, Thailand, and the Philippines. In some cases, land grant sites have been profitably developed as business and technology parks for information processing industries – a precedent offering much promise over coming years in developing countries as knowledge industries continue to globalize. Land grants for community self-help organizations operating in inner-city areas have been an element as well of "enterprise zone" legislation in Kentucky and other US states, enabling residents to benefit from land value gains as the business climate improves. The drive to secure land endowments in such cases has come variously from private donors and from political advocates seeking ways to privatize public properties and lessen the dependency of nonprofit organizations upon taxpayer support.

Local nonprofit groups can also benefit by encouraging adoption in a community of automatic-membership provisions attached to residential and commercial property titles. Covenants can assure enduring source of revenues to fund basic services. In some cases, residents of areas once lacking covenant-based, universal membership associations have adopted them in response to crime and dilapidation. Waterman Place, an integrated neighborhood in St. Louis, triggered a rapid drop in crime and a doubling of average home values in one year by forming a deed-backed nonprofit group that was able to borrow commercially against the new asset of its assured association fees to invest in security-enhancing systems. In recent years, homeowners associations have been created in response to problems of crime and poorly-provided municipal services in Brazil, the Philippines, and dozens of other developing countries. Powerful deed-based nonprofit associations could take on a much greater proportion of service responsibilities in developing countries and in poor communities of the

developed world, if systematic incentives existed for residents of unorganized neighborhoods to form such self-help organizations. This can be achieved by offering individual residents tangible personal benefits in return for joining the covenant-based associations as fee-paying property owners, or as nonproperty-owning residents willing to make in-kind contributions to neighborhood cleanup/fixup, tutoring and mentoring, and crime alleviation endeavors. Elements of a benefits package to reward inkind supporters can include Digital Donations such as microscholarships for eLearning and microvouchers for telemedicine, as noted in Step 1 above. Other opportunities to reward members for joining the group include offering discounted property or health insurance costs (through nonprofit-arranged group insurance policies such as offered by many condominium associations). Where political allies agree, incentives can also be offered (after a precedent for homeowners associations established by the State of New Jersey) that give tax deductions to residents who are members of active self-help organizations. The value of the tax deductions in New Jersey is linked to the scale of a nonprofit group's assumption of responsibilities for local services normally delivered at public sector expense.

Step 7.   Setting up sustainable microscholarship and microinvestment systems

Established nonprofit organizations can take further steps towards sustainability by establishing self-financing microscholarship and microinvestment funds. In cases where communities have large amounts of public properties that can be conveyed as land grants, nonprofit groups may propose to establish communitywide microscholarship and microvoucher funds as a reason to maximize the scope and value of the assets conveyed. (As they spread around the world, large land grant-endowed microscholarship funds also can create new purchasing power for the benefit of nonprofit groups generating useful eLearning resources, as described in Step 4, "Creating Marketable Digital Products").

A variation of the microscholarship concept can also be applied. Rather than offer microscholarships simply as outright gifts, nonprofit organizations can offer them as human capital investments, repayable through a pre-agreed small percentage of the recipients' enhanced earnings upon their receipt of marketable skills and certifications.

This approach draws upon precedents established by African villagers who pool resources to send talented students abroad, with agreement on the part of recipients to repay the investment out of their earnings after they enter the overseas labor market. "Human capital investment" initiatives developed by groups such as Lumni Finance and CareerConcept have used a similar approach to recover the costs of privately sponsoring higher education for selected individuals. In these cases, repayment systems have been established in which individuals give back an agreed small share of their future earnings rather than make loan repayments. Nonprofit organizations adopting this approach can offer similar self-replenishing human capital investments as a way to augment their revenues – and to induce more households to become active members of the

group so that students and jobseekers in their families may be eligible for future microscholarship/microinvestment opportunities.

Step 8. Awakening "dead capital" with grassroots titling/land registry pilot projects

As economist Hernando de Soto and other researchers have documented, a huge reservoir of "dead capital" – estimated at approximately $9 trillion – exists in developing countries in the form of private landholdings and buildings whose ownership is unrecognized at present in the formal marketplace. This insight has prompted a number of public sector-driven initiatives to formalize actual ownership in these properties, through improvements in land titling/registry systems.

Yet many such efforts, especially in rural areas, have been frustrated by the interplay of the following constraints:

- Existing public sector records often lack suitable survey and map data;
- Methods of gathering and maintaining new data are often unreliable or very costly;
- Many conflicting claims to individual properties exist, leading to lengthy delays between the issuance of certificates of utilization and delivery of formal title deeds; and
- Officials vested with responsibility for such systems are prone to corruption in the absence of systematic rewards for professional behavior.

To add to these problems, other public sector constraints frustrate many land titling and registry initiatives. These constraints often include weak dispute resolution systems, archaic procedures for bankruptcy and creditor recourse to assets, and rigid regulations over international investment flows as well as domestic financial markets. These can deter private capital markets from responding with long-term investments or loans for owners of even validly-titled properties.

Private sector practices can create further problems. Residents who lack any grounds for ownership claims may object to transparent and efficient titling systems because their rents are prone to rise as property titling/registration systems improve. Individuals claiming ownership in contested properties often have few incentives to privately settle their claims, given the lack of a shared upside from bringing their disputes to resolution. Financial institutions, moreover, often decline to make loans in low-income areas because they have few community allies to press for repayment or for foreclosure.

Established nonprofit organizations backed by Digital Donation initiatives are in a position to help overcome many, if not all, of these constraints. Philanthropists working with local nonprofit groups can set cooperation with grassroots

titling/land registry initiatives as a key condition for all residents of an area to receive concentrated Digital Donations packages. Under such an approach, highly-regarded local nonprofit organizations can invite applications by neighborhoods interested in obtaining potentially transforming bundles of benefits for residents, such as microscholarships for world-class learning opportunities, and vouchers for telemedicine services. These "challenge grant" offers can be made conditional upon commitments by residents in the area to cooperate in removing barriers that have held back past titling/land registry initiatives.

The following are examples of Digital Donation conditions that can be set by local nonprofit organizations when choosing among neighborhoods or communities to assist:

- Agreement by all residents seeking Digital Donations to help in digitally documenting (via photos, maps, and video recordings) uncontested ownership claims and property boundaries in their neighborhoods, including affidavits by residents regarding each other's uncontested and peaceful prior long-term occupancy;

- Acceptance by all residents in a neighborhood of a "good neighbor" contract including an independent mediation/arbitration process for resolution of conflicting claims; and

- Agreements to enter into future partnering relationships with highly regarded local financial institutions of the neighborhood's choosing that offer access to affordable loans. These partnerships can include peer-group systems (after the Grameen Bank precedent) to foster timely loan repayment by each borrower, in which the whole neighborhood's future access to affordable loans is conditional upon timely payments, and upon community-agreed recourse systems by which lenders can readily receive collateral in the event of individual default.

An enhanced package of Digital Donations also can be offered by philanthropists and their local nonprofit partners in cases where neighborhood contractual agreements will convert into deed-based covenants once titles are officially registered. In such cases, households in good standing in automatic-membership homeowner associations could qualify for further Digital Donations, with the value of these Donations linked to the extent to which the local group assumes responsibility for self-provision of local services in their neighborhood without expense to surrounding taxpayers. In communities with weak or overstretched municipal services, such actions can further raise property values.

A further method of building local self-sufficiency can also be implemented, beyond making Digital Donations conditional upon adoption of lasting self-help covenants. Neighborhoods that demonstrate threshold levels of interest and support for grassroots titling/land registry initiatives could also be made eligible to receive actual ownership interests in land grant areas conveyed by local

authorities as an asset base for self-help initiatives. Such land grants can be conveyed as demonstration areas for economic reforms favorable to social and business entrepreneurship, such as have proven highly successful in hundreds of free economic zones and enterprise zones around the world. The appreciated value of the properties benefiting from concentrated liberalization policies (including titling and land registration systems that function at international standards) can be enormous – some privately-developed free zone concessions in the Caribbean and Latin America have risen ten-fold in value following the removal of barriers to investment and enterprise. Neighborhood groups that actively support grassroots titling and land registry initiatives in their own areas can be rewarded with ownership shares in such free economic areas – providing extra reason for local residents to cooperate with nonprofit organizations offering catalytic Digital Donations.

Nonprofit organizations backed by Digital Donation initiatives are in a position also to help the public sector overcome many, if not all, of its earlier constraints. Asset gains resulting from appreciated property values in economically liberalized land grant areas offer a way to generate potentially substantial revenue streams benefiting the public sector. Auctions and tenders for long-term leases of publicly-owned lands in Hong Kong consistently contribute more than $1 billion annually in revenues, as a result of the highly liberal economic policies in this freeport. Dramatic land value gains also accompanied introduction of liberal economic policies (including transparent property ownership and transfer registration systems) in Singapore, Dubai, and the 220+ sq. km. private zone development concession at Freeport, Bahamas.

A revenue-generating interest in these land grant development concessions can be used as a means of providing systemic educational and financial rewards for civil servants administering the public sector land registry system. Sharing a portion of the asset gains with the public sector following transfers of even small "free zone" land grants to nonprofit organizations can create substantial budgets for professional training, career development, and performance-linked compensation provisions for the government bodies responsible for administration of the official land titling and registry systems. Thailand and Indonesia have used career training and output-linked bonuses to improve professionalism and efficiency of civil servants administering titling and registry systems. Similar benefits can be provided to other key public sector agencies controlling the quality of the climate for social and business enterprise.

Established nonprofit groups can accordingly give priority in Digital Donation strategies for grassroots titling/land registry initiatives to assisting localities where national and local authorities commit to:

- Transfer prime publicly-owned properties via land grant or long-term leaseholds for the benefit of nonprofit groups spearheading grassroots titling and registry campaigns, including "value capture" agreements that ensure ongoing funding for Digital Donation programs out of a share of the land grant value gains;

- Set up streamlined procedures to improve the climate for investment and enterprise in the land grant areas (e.g. through enterprise zone or free economic zone status) to maximize the value of the concessions; and

- Apply the government's share of revenues from such free zone-style development concessions to performance-linked training and compensation bonuses that improve professionalism and efficiency in the public sector.

A further strategy for established nonprofit groups to advance grassroots titling/land registry initiatives can come through advancing partnerships to introduce eGovernment solutions that bring new transparency to land ownership claims and transactions. Digital Donations can be targeted especially to communities where local political decisionmakers agree to introduce highly efficient and effective eGovernment systems for this end. As discussed further in Section C ("Rewarding Enablers of Policy and Institutional Change"), nonprofit groups especially can promote introduction of "no-upfront-cost" eGovernment solutions in titling and land registry on a demonstration basis. Introducing these systems initially in limited pilot project areas (such as land grant sites) can provide authorities with a politically-attractive venue to try out the new approaches. Improving the transparency of operating environments in such areas can lead directly in asset value gains for land-grant endowed nonprofit causes, and for public institutions seeking revenues to improve their skills and professionalism, as diaspora and other investors respond to the improved business climate.

<center>* * *</center>

Philanthropies now supporting specific nonprofit organizations can encourage them to move forward on these eight "early win" steps by making such actions a factor in their decisions on extending future grant support. This conditionality can be applied regardless of whether the offered support takes the form of traditional cash funding, private sector land grants, or Digital Donations.

To further influence the behavior of established nonprofit groups, philanthropies also can put in place "standing offers" of Digital Donations capable of reaching groups that have hitherto not received any direct support. Grants of software, online support, microscholarships, and other digital goods and services in these cases can be made essentially automatic, provided that the recipient commits in full to move ahead with some or all of these "early win" steps, and accepts a donor-specified system online or other systems to verify followthrough and progress.

B.   Stimulating new community self-help initiatives with Digital Donations

While opportunities abound to encourage established nonprofit groups in their moves toward sustainability, philanthropies may find even greater returns from the Digital Donations revolution by using them to catalyze new nonprofit initiatives that can reach self-sufficiency more rapidly than their established counterparts. Standing offers of Digital Donations can be targeted especially to emerging social entrepreneurs around the world who become visible to donors by online means.

A baseline package of certain kinds of Digital Donations – digital goods whose marginal cost is especially low – can be offered almost automatically to applicants who can demonstrate online their full understanding of, and commitment to, opportunities for building their nonprofit groups on a self-sustaining, success-sharing basis. Enriched bundles of Digital Donations and potentially other kinds of support could then be "earned" by qualifying social entrepreneurs, as their new nonprofit groups achieved milestones on the path to sustainability and giving back to others.

Philanthropists can take the following steps to implement sustainability-catalyzing offers for organizers of new self-help groups:

Step 1. Defining initial Digital Donation "standing offers"

Philanthropists interested in sparking sustainable new nonprofit ventures can begin by defining the target groups and regions that match their priorities, and examining established self-help patterns and existing/pending connectivity solutions. A baseline offer of Digital Donations (relating to skills formation, health care, or other vital interests) relevant to the audience can then be planned. Offers may include online courses, certifications, vouchers for telemedicine services, virtual internship/work-study opportunities, and telework opportunities for local residents.

Step 2. Mobilizing endorsements from brand name allies

A second step to maximize results from catalytic Digital Donation standing offers in many cases will be to secure endorsements of the package from brand-name sources, including educators, health care providers, celebrities, and others who have high trust and reputation for the audiences of interest. Their willingness as "top of the pyramid" allies to interact (via online chats or teleconferences) at intervals with outstanding organizers of new self-help groups can be an added incentive for new talent to respond to the standing offers.

Step 3. Generating global visibility

Once the standing offer package has been assembled, and influential endorsers and allies have committed, a multi-pronged visibility campaign can be launched. This should include a web site with background information and orientations, engaging samples of the actual Digital Donations as well presentations on the value proposition offered, how-to guidelines and "best fit" scenarios for building sustainable nonprofits, a discussion forum, and online application forms requesting

the Digital Donation standing offer in multiple languages. The public launch also should include direct outreach via meetings, calls and emails to key figures in global and regional media (including weblogs and listservs reaching potential allies and social entrepreneurs), as well as coverage in traditional national and local media outlets in the targeted geographic or subject areas.

Step 4. Reviewing applications and releasing the initial Digital Donation packages

In response to the publicity and outreach campaigns, interested parties are likely to make contact and apply for the standing offer of initial Digital Donations. Applicants can be given online tests to confirm their understanding of the how-to guidelines and scenarios for building sustainable nonprofits. They also can commit in advance to success-sharing frameworks for giving back to others (including global NGOs of helpful in their launch phase) as their local nonprofit groups grow and achieve sustainability.

Step 5. Enriching the Digital Donations based on progress towards outcomes

As new nonprofit organizations reach agreed (and digitally verifiable) milestones, philanthropies can further enhance the power of their examples by arranging for members of the organization access to further Digital Donation benefits, proportional to the group's progress by pre-agreed criteria. These criteria can be spreading skills, obtaining land grants, winning agreement by authorities to improve the local climate for entrepreneurship and investment, and/or generating Digital Donations (in the form of goods and online services) to be shared with others. In this way, philanthropies can create a self-reinforcing spiral of philanthropy with a growing storehouse of digital materials and services to share with allied local and global nonprofit causes committed to sustainability.

Figure IV-2
Stimulating New Community Self-Help Initiatives
With Digital Donations

Donor moves to assist startups	Financial impact on nonprofit recipient	Opportunities for recipient to "give back"
Step 1. Preparing "standing offers" of Digital Donations for new nonprofits Example: The global philanthropy defines a package of Digital Donation benefits that will be offered at no cost to all new organizers of community self-help groups who review an online orientation and pass a web-based test to confirm their understanding of a) donor aims; b) sustainability best practices/"lessons learned" from related prior self-help experiences; and c) pledges of ongoing support from local members in order to qualify for the Digital Donations package.	• Approach makes it simpler for organizers of new self-help groups to avoid costly startup mistakes	• The global donor can require digital recording/sharing by the new local startup of its experience, to help similar nonprofit groups in the future
Step 2. Mobilizing allies and endorsers Example: The global philanthropy secures agreements on the part of admired celebrities, innovators, and/or trend-setters to interact online with exemplary new local self-help initiatives	• More members agree to join the startup group and to actively contribute to its success, given the prospect of recognition from or connection with "brand name" figures	• Prominent allies can make "giving back" or "pay-it-forward" commitments by the local group a condition of their recognizing or interacting with exemplary projects
Step 3. Generating global visibility Example: The global philanthropy publicizes its standing offers of concentrated Digital Donation packages, its endorsements by key allies, and its intent to offer additional competitively-awarded rewards/prizes (beyond the initial standing offer) to the new self-help initiatives that make greatest strides toward sustainability.	• Organizers of new local self-help groups gain a more active membership base among local residents, given the global visibility of the standing offers • Prospects of further competitive awards prompt intense commitments by local groups to fully implement sustainability strategies	• Visible conditions for special prizes and awards can be set, to prompt "giving back" or "pay-it-forward" commitments by the new local groups
Step 4. Releasing Digital Donations to organizers of self-help groups Example: The global philanthropy launches a web site for organizers of new nonprofit groups to review orientation materials and pass an online quiz confirming knowledge of the sustainability opportunities. Those who pass can download a startup toolkit, have access to an online FAQ database and discussion forum, and receive microscholarships covering costs of online courses and certifications for founding members of the new group.	• Local organizer avoids potentially costly startup mistakes often made by nonprofits, by seeing and hearing best practices to achieve sustainability • More members agree to join the startup group and to actively contribute to its success, given that ongoing access to Digital Donations is keyed to their engagement	• The initial "standing offer" package of Digital Donations can include free software tools (e.g. Skype) enabling the new group to record or document its self-help experiences and digitally share them with counterpart groups: - in the region; and/or - in parts of the world of interest to the sponsoring philanthropy.
Step 5. Increasing Digital Donations based upon recipient progress Example: The global philanthropy can establish an online progress reporting system, and offer enhanced Digital Donations (and/or cash prizes) as a reward to the most successful new groups.	• Award of prizes to successful groups spurs further efforts by other nonprofits to improve their performance	• Competitive prizes and awards can include demonstrated "giving back" or "pay-it-forward" achievements by local groups as a key qualifying factor

C. Rewarding proponents of policy/institutional reform with Digital Donations

A crucial factor in accelerating – or holding back – the sustainability of nonprofit causes is the quality of the policy and institutional environment in which groups must operate.

Philanthropies have leverage to improve the quality of such environments. They can adopt a strategy in which Digital Donations will flow disproportionately to communities where public decisionmakers embrace reforms that promote affordable bandwidth, high quality land grants, world-class titling and property registry systems, and streamlined licensing/permitting procedures under which both social and for-profit entrepreneurs can thrive. Competitions to select communities for concentrated assistance offer a way to stimulate public interest and build support for reforms among political, business, and civic leaders.

Step 1. Holding global competitions to recognize public sector reformers

International competitions to award exceptional Digital Donation packages can speed local and national action on exemplary policy and institutional reforms. Annual global competitions and awards can provide an ongoing stimulus to encourage political leaders to offer world-class environments for sustainable nonprofit (and for-profit) enterprise. Such awards can generate visibility and prestige for champions of outstanding public sector reforms, especially if the recognition is conferred by a group that includes internationally-renowned figures.

Philanthropies can use a number of benchmarks in deciding which locations to recognize for outstanding policy and institutional change. Annual comparative benchmarks of the quality of national investment and business climates, such as the World Bank's "Doing Business" surveys, provide a foundation for recognizing exceptional achievement in liberalizing reforms that enable both social and business enterprises to flourish. At local government levels, objective indicators – such as the extent of land grant commitments as well as accompanying enterprise zone-style incentives – can provide a further measure of political commitment to the sustainability of local nonprofit ventures.

A key arena for recognizing breakthroughs consists of revenue-generating eGovernment projects that improve local operating environments for social entrepreneurs and business ventures, while creating opportunities for nonprofit causes to share in the fiscal benefits. As noted earlier, eGovernment systems can bring new transparency and efficiency to areas such as land registry and titling whose governance at present is burdening nonprofit and for-profit ventures alike. Yet many countries and localities have experienced delays in realizing these benefits. Key factors holding back eGovernment in the past have included:

- high costs to taxpayers of deploying eGovernment solutions

- past problems in assuring the interoperability of eGovernment systems; and
- corruption and delays in contract awards and implementation resulting from fierce "winner-take-all" struggles among eGovernment solution providers.

In some countries, political leaders are beginning to align near- and long-term interests of governments and nongovernmental parties in new ways. This innovative approach offers a way for eGovernment-enabled policy and institutional reforms to achieve their full potential. Notable aspects of the approach include:

Innovative partnerships that can deliver eGovernment solutions at no out-of-pocket cost to taxpayers
New types of public-private partnerships are emerging to deliver eGovernment solutions at no upfront expense to public bodies. Among the solutions now being delivered on this basis are systems for national passport and ID issuance, tendering and procurement, land registries, and Customs administration. Users are often offered the opportunity to benefit from automated, fast-track online systems in return for paying a fee for the convenience of online access. As implemented to date in Bulgaria, Mexico, Hong Kong, India, Chile, and the Philippines, these success-sharing partnerships reward the eGovernment solutions providers from an agreed small share of new revenues – or a share in the verifiable cost savings – resulting from the transparency-enhancing online system. In some cases, countries have fully privatized eGovernment implementation by setting up governmentally-monitored performance tracking systems, and moving public employees into the newly-formed private sector nonprofit or for-profit bodies where they can receive market compensation for their services.

New standards that can ensure interoperability for eGovernment solutions delivered by diverse firms
Recently-adopted technical standards for web services enable countries to overcome past problems arising from vendor "lock-ins" with proprietary eGovernment software solutions. With the advent of WSDL, SOAP, and related standards, both new and legacy software applications are able to technically interoperate regardless of vendor and underlying technology. Countries committing to web services thus find it possible to remove the "win-lose" basis upon which proprietary vendors have bid for major projects to date. This can help minimize the delaying tactics often used to slow or stop eGovernment contract awards for projects based upon a competitor's proprietary solutions. Compliance with new web services standards also can speed uptake of eGovernment solutions, through use of reusable software components.

Preferred provider relationships for vendors that deliver "early wins" in eGovernment solutions

In many cases, flaws in systems for selecting eGovernment vendors have resulted in disproportionate contract awards to firms with skills in proposal writing and/or lobbying. Many such eGovernment projects have foundered in development and implementation stages. A new trend in vendor selection is to require firms bidding for long-term eGovernment contracting/partnering opportunities to show their implementation capabilities through initial local demonstration or proof-of-concept projects. This approach helps focus vendor energies on rapidly delivering actual results rather than channeling energies into lobbying or less savory means of influencing decisionmakers. Such a system also can give lasting rewards even to the non-selected bidders, in cases where they successfully mount their local demonstration projects on a public-private revenue-sharing basis. In Croatia, a further system for preserving market forces and ensuring transparency throughout long-term eGovernment contracts has also emerged. An opening round of bids is held to determine which consortia are chosen for long-term project relationships. Rather than chose a single team, however, the government selects several consortia as long-term partners. Each of the chosen consortia in this pool of partners competes on a task order basis as national eGovernment opportunities arise – preserving market forces that benefit the public.

Awards given by philanthropies can recognize political leaders where such cost-saving and revenue-generating innovations elements are combined to create globally replicable models for rapidly improving the transparency of policy and institutional environments. As eGovernment and other reforms increase trust in the openness and transparency of the policy and institutional environment, nonprofit organizations operating in these environments will benefit as their assets and self-funding capabilities grow.

Step 2. Sponsoring awards to recognize businesses that offer innovative eGovernment solutions

To encourage adoption of transparency-enhancing policy and institutional reforms around the world, philanthropists can also sponsor benchmarking comparisons and offer awards to international and domestic companies that deliver eGovernment solutions on a success-sharing basis, enabling nonprofit organizations to build assets and revenues.

eGovernment systems for world-class enabling environment reforms can generate tens or hundreds of millions of dollars annually in new revenues. Specific revenue-generating opportunities include:

- Land registry databases (e.g. India's Bhoomi and Punjab precedents)
- Online incorporation systems (e.g. Denmark and Delaware precedents)

- License and permit issuance systems
- Virtual "one-stop shops" for issuance of incentives
- Technology Visas and work permits (e.g. Dubai's online visa system)
- Spectrum auction and telecommunications license issuance systems; and
- Business and technology park concession tendering systems.

In addition to compensating the creators of eGovernment software solutions, user-fee revenues may be shared in pre-agreed ways with public sector and nonprofit beneficiaries. The large majority of the revenues can go to public sector bodies, ideally to improve training and professional development opportunities for public employees, and to fund performance-based compensation bonuses along the lines of Singapore's Flexiwage system.

Nonprofit organizations also can gain revenues in near-term from eGovernment demonstrations undertaken through no-upfront-cost partnerships. Such groups can apply their proceeds to help community-wide Digital Donation initiatives – such as microvouchers for education and health care alternatives – become self-supporting.

Step 3. Recognizing nonprofit organizations that deliver broadbased Digital Donations following policy/institutional change

Philanthropies can also sponsor competitions and awards to recognize global and local nonprofit organizations that deliver exceptional Digital Donations packages that reach large numbers of grassroots beneficiaries as policy and institutional changes take effect.

Such awards can go to:

- Educators and health care providers offering Digital Donations of goods and services;

- Open source teams providing free software and digital content useful to residents: and

- Online volunteers (onshore and offshore) delivering notable contributions.

In this way, philanthropies can increase near-term grassroots awareness of and support for the policy and institutional reforms that move nonprofit organizations towards long-term sustainability.

Figure IV-3

Rewarding Proponents of Policy and Institutional Change With Digital Donations

Digital Donation stimulus to reform	Financial impact on nonprofit group	Opportunities for nonprofit group to "give back"
Step 1. *Awards for public sector reform champions* Example: The global philanthropy defines a competitively-awarded, progressive package of Digital Donation benefits that will be offered to communities whose leaders confirm online: a) their understanding of best practices/"lessons learned" from enabling environment reform efforts in other countries and communities; b) awareness of local barriers to nonprofit sustainability; c) agreement to remove barriers in pilot "land grant" areas whose stakeholders include community-based self-help organizations.	• Awards encourage removal of costly constraints arising from governmental policies and institutional practices that impede self-help ventures • Awards encourage government leaders to support land grant privatizations that benefit highly-regarded local nonprofit causes	• Awards can encourage conditionalities in land grant privatizations which commit recipient nonprofit groups to create and share digital resources with the larger community
Step 2. *Awards for business providers of eGovernment solutions* Example: The global philanthropy defines a competitive process for recognizing private sector organizations that enter into partnerships for eGovernment solutions that improve the enabling environment for social and business entrepreneurs, and that include user-fee "public-private partnership" revenue sharing agreements that endow microscholarship funds or other community-wide Digital Donation programs.	• Awards encourage eGovernment solution providers to help communities remove regulatory and administrative barriers in the operating environment that now limit nonprofit sustainability • Awards promote user-fee revenue sharing agreements with nonprofit organizations	• Awards can encourage conditionalities in eGovernment revenue sharing partnerships which commit recipient groups to create and share digital resources with the larger community
Step 3. *Awards for Digital Donors who give grassroots benefits to communities adopting reforms* Example: The global philanthropy defines a competitive process for recognizing other donors/NGOs that provide grassroots Digital Donation benefits in localities where desired policy and institutional reforms are adopted.	• Awards encourage global and regional NGOs to give preference to helping communities that remove regulatory and administrative barriers	• Awards can give preference to other Digital Donation programs that commit recipient groups to create and share digital resources with the larger community

*   *   *

Initiatives based upon strategies presented in this chapter have already begun to show results in developing countries. The Horizon Lanka Academy, a bootstrap private school in a poor Sri Lankan farming village, has secured diaspora support for a land grant and for a microvoucher system (www.microscholarships.org). Private sector supporters also enabled the school to obtain a dedicated 64 kbs Internet connection in 2003, after five years in which the school (and the surrounding village) lacked even a dialup telephone connection. The now-connected and rapidly-growing school today is earning revenue by exporting web design services and is producing student-created "eLessons" for future sale in global markets. Horizon Lanka's success has prompted a decision by the country's lead IT agency to sponsor promotion of the model over the coming year to scores of other villages.

A Horizon Lanka-inspired project in Kyrgystan, backed by USAID and the Academy for Educational Development, offered in mid-2005 to catalyze local sustainable microscholarship funds for eLearning. A total of 50 communities responded to a challenge grant offer that required local telecenter operators to provide a land grant for ongoing support of each microscholarship fund. Four telecenters were chosen in September, 2005 as sites for implementation.

Each of the Kyrgyz "greenfield" land grant areas – and others being assembled by nonprofit groups in Haiti, Gabon, and Somalia -- will be offered to diaspora and other investors as sites for retirement or second homes, ecotourism preserves, Internet-assisted farms, and/or telework facilities that benefit from affordable telecommunications links as well as improving local skills.

In cases where sizable land grants are made, substantial revenues can be realized by nonprofit groups through a policy of international tendering of site development concessions for business park, resort, and/or commercial and residential projects. The inclusion of liberalizing reforms, including eGovernment systems that improve business climates, can further stimulate the interest of investors and developers. Concession agreements with developers can provide revenue flows to local stakeholding groups through a range of established partnership frameworks, including upfront concessionaire fees, annual lease payments by the developer for the landholding, dividends from equity interests in joint venture real estate development and infrastructure companies, and asset transfers on a pre-agreed schedule under "Build-Operate-Transfer" agreements.

V. Evaluation and Acceptance Issues

The following issues can affect review and acceptance of Digital Donation opportunities by philanthropies and local nonprofit organizations.

- **How will Digital Donations relate to traditional grant-funded programs?**
  Rather than displace current giving, Digital Donations can be offered as challenge grant "overlays" allied with existing programs disbursing cash and/or actual goods. By this means, philanthropies can offer recipient groups access to new resources beyond their current level of support. The new resources, moreover, can grow in proportion to moves that recipients may take to mobilize new assets and revenue streams that help them support ongoing activities.

- **Can Digital Donations work for the unconnected "base of the pyramid?"**
  Cellular phone systems, next-generation Wifi and Wimax systems, and new low-cost two-way satellite broadband solutions will bring affordable bandwidth to billions of people in coming years. Organizations and individuals in once-closed environments will have increasing access to online resources through user-friendly systems. Concerns over the lack of local purchasing power for use of these telecommunications systems can be largely overcome through formation of local microvoucher funds for grassroots access to global eLearning and telemedicine services, as well as through strengthened connections with diaspora communities as local conditions for investment and entrepreneurship improve.

- **Do people have to be literate or have computer skills to benefit from Digital Donations?**
  Digital Donation strategies that include rich media resources – accessible through television, radio, DVD and cell phones as well as computers – can reach large numbers of people who are neither literate nor familiar with computer hardware. Offers of microscholarships for web-based learning, moreover, can succeed in challenging environments where only small numbers may be initially able to use computers. Digital Donations in these cases could take the form of opportunities for high skill individuals in an area to access online learning resources and prestigious certifications of interest to them. The extent of access to these resources would hinge upon how successfully the recipients were in helping others gain skills. In this way, Digital Donations would incentivize people who already have literacy and computer skills to spread them through informal means of their choosing with low- and unskilled residents. Progress in spreading literacy, keyboarding, and/or English as a Second Language skills would be digitally recorded (e.g. via online or offline tests) as a condition for high skill individuals to qualify for enhanced packages of Digital Donations. As the first round of entry-level learners gained skills and moved up under this system, they too could earn Digital Donations for microscholarships or telemedicine vouchers by spreading measurable skills to the next entry-level groups. Such a system – reminiscent of the Lancaster System of peer teaching in the early 1800s – could widely spread skills over time.

- **How can Digital Donations work in cases where local groups have weak technical/management capacities?**
  Many nonprofit groups have little experience in organizing and managing income-producing ventures to support their missions. In these cases, it may be hard for offers of Digital Donation to catalyze sustainability. Offers of Digital Donations in these more difficult cases can require agreement by local groups to form partnerships with globally-respected NGOs that can provide training to build local capacity, and offer online support in launching the initial income-generating projects.

- **How can one reliably measure the actual progress of local groups in qualifying for enriched Digital Donation packages?**
  Philanthropies offering Digital Donations will need systems to verify eligibility of applicants and to confirm progress in reaching agreed milestones. As affordable bandwidth spreads, systems for communicating and accurately assessing the status of prospective beneficiaries will increase. Online tests, for example, can be used in the case of microscholarship funds to confirm progress of individuals in reaching skills targets. Progress of local groups in reaching financial milestones – including sources and uses of funds as they move toward sustainability – can also be verified through online reporting and accounting systems accessible by donors.

- **How can land grants be converted to incoming-generating assets in areas with challenging conditions?**
  Developing countries vary in potentials for rapid appreciation of land values. Yet even in remote areas, eLearning systems can spread valued skills, affordable bandwidth can open global telework markets, and eGovernment can increase trust in governance. This combination can make such communities more attractive to private capital, raising the value of greenfield sites as diaspora and other investors respond to substantially improving conditions. Build-Operate-Transfer and other success-sharing development agreements can benefit land-endowed nonprofit groups that offer affordable opportunities for agriculture, ecotourism and nature preserves, vacation homes, and/or retirement homes.

- **How can Digital Donations be designed to scale?**
  A final issue concerns the global scalability of Digital Donations. Digital products (software, online courses, reference works, etc.) and automated online services (e.g. machine translation) can be readily delivered at nominal marginal cost in most instances on a world-wide basis. Other kinds of Digital donations, however, appear to be much less scalable – as in the case of labor-intensive services such as mentoring and tutoring, and digital cash-based transfers. Yet Digital Donations even of these latter kinds also can be designed for a multiplier effect. As noted above, a vast influx of aspiring talent will be moving into online markets as grassroots globalization advances. Many individuals will seek credentialing experiences that build references and reputation as an alternative to "race to the bottom" price competition. Philanthropists have an opportunity to offer them online opportunities to earn reputations in volunteer projects such as tutoring and mentoring or providing other help to nonprofit causes. If – as a condition of aid – local groups enter into pay-it-forward or "giving back" relationships with global nonprofit organizations, new

financial resources can become available for expanded microscholarship, microvoucher, and microfinance initiatives.

VI. Next Steps

Philanthropy is at a turning point. The highest charitable calling is to create springboards for large numbers of recipients to free themselves from dependency – and then, as circumstances permit, to become givers themselves. Opportunities are emerging for the first time, with Digital Donations, for the philanthropic mission to be fulfilled on a global scale.

Philanthropies interested in offering Digital Donations toward these ends have a range of options to assist nonprofit groups directly, as noted in previous chapters and in the appendices to this document. Along with these direct actions, however, near-term steps can also be taken by donors on a joint basis to advance the digital revolution in philanthropy.

A Digital Donors Consortium can greatly amplify the effects of individual philanthropies offering digital resources in ad hoc manner. Pooling their offers of catalytic Digital Donations can increase the potential for sustainability on the part of recipient groups. In so doing, philanthropists can leverage far greater commitments from local policymakers, business leaders, and nonprofit organizations in response to the pooled offers.

A. Forming a Digital Donations Consortium

The nonprofit sector is a major provider of foreign assistance. According to a 2005 Hudson Institute survey foundations, universities, medical, religious, service and other not-for-profit organizations outspent the US Government foreign aid in 2003 by more than 350 percent as well as providing a channel for much government-sourced development funding. Philanthropies and other nonprofits can thus make a very large difference. Those interested in seeing Digital Donations achieve their full potential can explore the following opportunities for near-term action:

1. *Form a working group or consortium with other philanthropies or nonprofits to set a common Digital Donations agenda*
   A Digital Donors working group can explore coordinating Digital Donation offers and setting harmonized eligibility conditions in supporting new and established grassroots initiatives. The working group can also explore frameworks for success-sharing partnerships between global and local nonprofit organizations, as well as "giving back" and pay-it-forward agreements by recipients of Digital Donations. If the founding parties so choose, a Digital Donors Consortium can be launched either on either a formal basis as an ongoing vehicle or informally through on the agreed actions. Funding for Consortium operations might be assured over time through inclusion as a small beneficiary in local asset gains or revenue streams from Digital Donation-catalyzed sustainability projects. Over time, there may emerge Digital Donors Consortia that are sector specific—e.g. grant-making and operating foundations, universities, teaching hospitals, religious groups, service organizations,

public agencies, relief organizations—or they may opt to continue coordinating activity across such domain lines.

2. *Build alliances with global good causes to assist local sustainability initiatives*
An early Consortium activity can be to interest highly regarded global and regional NonGovernment Organizations (NGOs) in working with Digital Donation-assisted local nonprofit groups. Leading education providers, telemedicine networks, and other prestigious private voluntary organizations can be invited to assist grassroots sustainability initiatives, by offering online courses, certifications, vouchers for telemedicine services, virtual internship/work-study offers, and telework opportunities for local residents. Sustainability scenarios benefiting global and regional nonprofits making such commitments can include access to resources in Digital Donation microscholarship/microvoucher funds, as well as inclusion (with agreement by local partners) in land grant asset gains.

3. *Engage "top of the pyramid" individuals*
A further step to maximize worldwide response to pooled Digital Donations can be to obtain support from prominent individuals for the catalytic offers. Leading individuals can give support through endorsements, as well as through agreements to occasionally take part in online chats, web conferences, or other media events that benefit Digital Donation-assisted grassroots self-help groups.

4. *Create a resource portal and downloadable toolkits for Digital Donations-assisted social entrepreneurs*
A Digital Donations Consortium can also take a lead in preparing orientation materials on the web as well as downloadable nonprofit sustainability toolkits to help established nonprofit groups and newly-forming ventures of various kinds in their moves towards self-sufficiency. Toolkit resources can include interviews with successful practitioners, case studies of exemplary projects, specialized business plan templates, and updated links to allies and resource providers.

5. *Offer an online clearinghouse for volunteers*
The Consortium can also sponsor online peer-to-peer forums moderated by successful practitioners, where interested individuals, onshore and offshore, can start or join online volunteers can build reputations by assisting global and local sustainability initiatives. This pool of human talent can help nonprofit groups and their allies in making most of the "early win" opportunities for sustainability. Such resources may prove useful for established nonprofit organizations, for newly-forming nonprofit groups that seek assistance in launch and operational sustainability in the near-term, and for local governments seeking to engage talent to assist in implementing world-class policy and institutional reforms.

6. *Sponsor high profile awards to encourage breakthroughs*
As a means of encouraging communities and nations to make the largest possible land grants and farthest-reaching policy and institutional reforms, philanthropists could also organize a premium package of Digital Donation awards to be offered to locations designated by the Consortium as "Open World Zones." Such locations, if established with liberal visa and work permit policies open to refugees and others who gained threshold levels of skills and certifications online, over time could become new "World City" growth centers in the global economy on the model of

Dubai or Hong Kong. Sharing in the assets gains and/or lease revenues could provide further impetus to the sustainability of global and local nonprofit causes.

B. Anticipated Results

Digital Donations represent a potential revolution in philanthropy by offering a means to spread the seeds for self-funding development, and to engage recipients as creators of digital resources that can be shared with others.

Applied as challenge grants, Digital Donations can help move people around the world to explore the benefits of grassroots globalization and join with nonprofit groups in self-sustaining local and global projects. The assets and revenues released by this means can in turn be applied to building free institutions and societies in actual as well as virtual settings.

At a time of high tension in many nations and cultures, a Digital Donations revolution can foster other kinds of sustainability as well. Hundreds of millions people are now living in failing states, rife with anger and resentments. Means of inflicting extraordinary damage, as well as doing great good, will spread in coming decades. Philanthropies can offer a digital lifeline for individuals who have been trapped by impoverished economies in the world's troubled areas, by linking them to a rapidly growing online economy where universal standards of civility and market processes are emerging. Digital Donations can help individuals overcome past forms of isolation to acquire skills and telework opportunities valued both by global markets and by nonprofit causes. New technologies can bring capital support to millions of individuals and can provide welcome alternatives for those now living in breeding grounds for hatred.

In the near future, then, philanthropies and kindred nonprofit groups can begin to awaken large numbers of people around the world to new opportunities beyond the zero sum dynamics of highly politicized settings. In so doing, philanthropists can bring rewarding skills, jobs, and asset building opportunities to the grassroots levels of societies that have been far outside of the mainstream. The digital age can bring forth a philanthropic framework in which enduring transnational self-help partnerships will flourish.

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APPENDICES

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APPENDIX A

Scenarios for "Early Win" Initiatives

Digital Donations as Catalysts of Sustainable Global Partnerships

Global Giver	Offer to Local Allies	Sustainable Linkages
Education providers **Aim:** To increase global outreach of course offerings from North American and other universities **Current challenges:** • Avoid greater dependence on donor subsidies • Offset revenue squeeze from post-September 11 enrollment decline by foreign students • Coordinate with physical providers of in-kind and professional services (e.g. books, hardware, lab equipment, master teachers, student exchanges)	Global education partner offers *(after a local land/building grant, microscholarship fund, or other challenge grant match is set up)*: • Free and fee-based eLearning courses • Work-study projects for local teams to enhance course content (e.g. transcription, translation/ localization,and case studies with revenue sharing options) • Consortium/contacts with in-kind, financial, and/or physical providers of assistance	Local partner moves toward sustainability by: • obtaining larger land/building grants from municipality or other owners, as a result of its alliance with a global partner • offering active members and supporters expanded access to world-class education • (option) receiving income from global partner by translating or otherwise enhancing courses Global partner moves toward sustainability by: • Reaching new global markets with its online course offerings • Lowering costs to globalize course material
Health care providers **Aim:** To increase global outreach of telemedicine and other eHealthcare offerings from centers of excellence in developed countries **Current challenges:** • Avoid subsidy-dependence • Offset revenue squeeze from post-September 11 decline in travel by foreign patients to North American hospitals and clinics • Coordinate with physical providers of in-kind and professional services (e.g. books, hardware, lab equipment, master teachers, student exchanges)	Global health care partner offers *(after a local land/building grant, microscholarship fund, or other challenge grant match is set up)*: • Free and fee-based teleconsultations and second opinions • Work-study projects for local teams to gain skills in medical transcription and in providing online companionship/support services via Internet telephony links (e.g. prompting patients to share stories and create digital resources for family and friends) • Consortium/contacts with in-kind, financial, and/or physical providers of assistance	Local partner moves toward sustainability by: • obtaining larger land/building grants from municipality or other owners, as a result of its alliance with a global partner • offering active members and supporters expanded access to world-class eHealthcare • (option) receiving income from global partner by translating or otherwise enhancing courses Global partner moves toward sustainability by: • Reaching new global markets with its telemedicine and other eHealthcare offerings • Lowering costs of sourcing translations/support services

APPENDIX B

Digital Resources for Nonprofit Sustainability

Sustainability strategy	Innovative precedents	Useful resources
1. Conveying Digital Donations to active supporters **Scenario** Local groups receive Digital Donations (for example, scholarships for online skills development) from regional or global donors, and then offer them as benefits to active members. **Value** Revenues rise for local groups, as their active membership base grows.	**FLOW** www.flowrealism.org FLOW (Freedom Lights Our World) offers opportunities for US members to contribute microscholarships to students in a post-conflict Sri Lankan village. **www.microscholarships.org** Horizon Lanka Academy uses the international donor-funded microscholarships to encourage families to enroll in the school on a discounted tuition fee basis. **National Black MBA Association** www.bostonblackmba.org/membership_benefits/ NBBMA, a national organization, promotes business education for African American students. It offers a guaranteed conference scholarship for each local affiliate, encouraging individuals to join these chapters.	*Global donors of software applications and digital content:* • www.creativecommons.org is a useful free source of digital content created by artists and authors for sharing with noncommercial users. • http://ocw.mit.edu is MIT's free online course repository, now offering digital course materials in 1200 topic areas. • http://www.microsoft.com/mscorp/citizenship/giving/apply/ is Microsoft's window for making free software available to nonprofit groups. TechSoup (http://www.techsoup.org) is the exclusive US distributor for Microsoft product donations. • www.openoffice.org is a free, Microsoft Office-compatible office suite that offers word processing, spreadsheets, and presentations. *Global providers of online services:* • **http://charityfocus.org/services/** has volunteers providing web design and other free services to nonprofit groups seeking to use the web to advance their causes. *Global providers of e-payment solutions:* • **www.paypal.com** A free (for senders of funds) service for transferring payments to recipients in 56 countries. Recipients pay 1.9% to 2.9% + $0.30 USD. • **www.peppercoin.com** enables account holders to aggregate micropayment transactions to levels that enable efficient credit card transactions. • **www.e-gold.com** and **www.goldmoney.com** offer free account setup for donors and recipients, and enable users to send and receive payments through electronically-denominated transactions of precious metals.

B. Digital Resources for Nonprofit Sustainability *(continued)*

Sustainability strategy	Innovative precedents	Useful resources

2. Using tele-communications breakthroughs

Scenario

Local nonprofit groups use free/affordable email services, voice-over-internet links, and web solutions to:

- connect with global supporters

- earn referal payments from online sales, and

- manage member/donor relationships

Value

- Lowers costs of telecommunications

- Increases revenues as local group find more global funding and partnering opportunities

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globalgiving GlobalGiving
http://www.globalgiving.com/
Local nonprofit groups seeking to win support from international donors can use web and email links from GlobalGiving to win visibility. Projects accepted for posting by enable philanthropists to use a Donation Wizard to help them find a project that suits their interests. A donor can choose to offer any sum as donation to the chosen recipient, and transfer funds by credit/debit card, check, PayPal, or stock transfer. All donations to projects are tax-deductible through the GlobalGiving Foundation, a registered charitable organization.

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amazon.com Amazon Honor System
www.amazon.com/exec/obidos/tg/browse/-/542032/
Amazon has developed an "honor system" to help generate grassroots contributions for web-enabled charitable causes. Also, Amazon and other online storefronts support "online charity mall" referal payment systems to nonprofit groups that generate purchases of books or other items of interest to their members. Amazon.com affiliate buttons, for example, can give nonprofit groups a payment of 15% per book sale.

Hyperion Hyperion Solutions Corporation
www.hyperion.com
Charities with revenues of under $5 million annually are being offered free Hyperion Business Performance Management software for transparent financial consolidation, budgeting, planning and reporting solutions. Hyperion's digital donation program helps nonprofits cost-effectively improve financial operations by identifying problem areas, delivering more detailed reports to stakeholders and making better informed decisions about running their operations.

OPPORTUNITY INTERNATIONAL Opportunity International
www.opportunity.org
Opportunity International, a leader in microenterprise development, credits Hyperion's gift for improving the group's speed and efficiency in reaching thousands of poor entrepreneurs. (Details at http://www.giftsinkind.org/news/releases/news_2005_hyperion_pressrelease.asp)

Global providers of free Internet telephony solutions:

The following affordable telecommunications systems can be used by donors and recipient groups to conserve resources:

- **www.skype.com** Free voice over Internet links, at higher quality than normal phone connections.

- **http://www.elpispublishing.com/XHTML/downloads.php** Free spreadsheet tool for calculating internet telephony cost savings.

Sources of online referral payments for purchases generated by nonprofit organizations:

- www.greatergood.com and www.igive.com offer shopping solutions with a share of the revenues redirected to non-profits of the shopper's choice.

- www.charityweb.com provides e-commerce solutions that enable non-profits to receive on-line donations, payments and purchases.

Global providers of free/low cost software tools for connecting with donors and volunteers:

- **http://www.virtualfoundation.org/whatis/** A community project idea is first submitted to a local Consortium Member who then works with the group to finalize the modalities including budgets. If the proposal meets the Virtual Foundation requirements, it is posted on the website. Visitors to the site can choose projects to donate to.

Other:

- **http://www.nonprofitexpert.com/nonprofit_software.htm** Directory of software resources for nonprofit funding needs.

B. Digital Resources for Nonprofit Sustainability *(continued)*

Sustainability strategy	Innovative precedents	Useful resources
3. Linking the grassroots base to the "top of the pyramid" **Scenario** Local groups approach celebrities friendly to their cause to participate in live online chats, teleconferences, or other fundraising events **Value** Rewards active members and supporters with chances of linking to well-known allies, boosting the support base of the nonprofit group	**People Living With Cancer** www.plwc.org People Living With Cancer features world-known oncologists in online question-and-answer chats about managing the effects of cancer treatments. Its parent nonprofit, ASCO, is the world's leading professional society of multidisciplinary medical professionals who treat people with cancer. ASCO has 20,000 members in the U.S. and abroad. **EBay Giving Works** http://givingworks.ebay.com eBay Giving Works, a dedicated online fundraising program for charity listings, is sponsoring auctions affiliated with leading authors, including John Grisham, Stephen King, Lemony Snicket, and Amy Tan. The authors are auctioning the chance to name a character in their upcoming books after members of the public who bid successfully for the opportunity. All proceeds are going to the First Amendment project (see below). The auctions are set to run from September 1st and through September 25th, 2005. **First Amendment Project** http://www.thefirstamendment.org/ First Amendment Project is a nonprofit organization that is dedicated to protecting and promoting freedom of information, expression, and petition. It has assisted activists, journalists and artists for more than a decade. **Mirisch Entertainment Group** http://www.hollywoodknights.com/hk/aboutus.htm http://www.dmirisch.com/ David Mirisch Enterprises (DME) is a leading organizer of celebrity fundraising events. It helps raise money for local, national, and international charities by booking celebrities to attend non-profit events. DME has organized over 1,500 celebrity charity events which have generated over $20,000,000 worldwide, in the past 30 years.	http://register.paltalk.com/ Paltalk offers free unlimited use of its videoconferencing facilities, with up to 6 videos at a time, and enables photo, file and message-sharing. http://www.convoq.com/?=utm_source=google&utm_medium=search&utm_campaign=Video+Conferencing Convoq ASAP is a low cost web-based conferencing service that enables virtual marketing calls and "webinars" (online seminars). It allows for any interested prospect to get in touch with one click on an ASAP link on the user's site. Instant, effective presentations and interactive product demo's can be generated. http://www.marratech.com Marratech-Free is a freeware video conferencing application that allows users to engage in real-time video conferencing with voice and interactive white board facilities. Up to five people can meet, talk, do videoconferencing, share documents or pictures, and make notes. Broadband high speed Internet, a headset and web cam are the requirements. www.skype.com VideoSkype (vSkype) is a downloadable free vSkype plug-in that enables videoconferencing using a web cam, with unlimited numbers of people.

B. Digital Resources for Nonprofit Sustainability *(continued)*

Sustainability strategy	Innovative precedents	Useful resources
4. Creating and marketing digital products **Scenario** Local groups record live online events and offer the highlights to active members, or sell them as digital products at no financial risk in global markets **Value** Generates revenues from: • Online sales of CDs/DVDs • Diaspora subscriptions to "podcast" programs	**My Two Front Teeth** http://www.mytwofrontteeth.org/works.html The website enables children in need of holiday presents to upload digitally scanned images of their drawings. Each child who does so can then choose a toy of up to $30 in value from a catalog as her or his holiday wish. Visitors to the site can browse the online profiles and select the child they would like to sponsor a gift to, by clicking a "Sponsor this Child" button. Toys are purchased in bulk quantities through pre-set distribution channels, and shipped out to the non-profit/community organization. Each gift is wrapped and handed by a local nonprofit group to the child just before the holidays. **Radio Bridge Overseas** http://www.radiobridge.net/www/links/PROJEKT.html Radio Bridge Overseas seeks to help African people living across the continent overcome barriers of culture and languages, by using a combination of radio and the Internet. It is now launching an Internet-based media training initiative that offers internship-programs for young journalists from the South and the North to work together with emerging young Internet-Reporters on multimedia features from the developing world, and to distribute such co-productions to an international audience. **OpenSource Commerce** http://www.oscommerce.com osCommerce is an Open Source online shop e-commerce solution that is available for free under the GNU General Public License. It features online shopping cart functionality that allows store owners to setup, run, and maintain their online stores with minimum effort and with no costs, license fees, or limitations involved.	*Recording solutions* • Skype Answering Machine records online audio sessions in formats convertible to podcasts. http://www.freewebs.com/skypeansweringmachine/index.htm • http://www.mp3mymp3.com/ Record your conversations as MP3s: A free app, MP3MyMP3, allows you to record your Skype or conference calls (or Internet radio or podcasts) as MP3 or wav files, so you can podcast them. *Production solutions* • Openworld Presenter's freeware authoring tool enables users to integrate audio, video, slides, and transcripts in a synchronized presentation. http://presenter.openworld.com *Publishing/web storefront solutions* • **Cafepress (books and CDs) (www.cafepress.com)** offers easy solutions for setting up an online store that can sell CDs, books, and other products based on digital uploads. There is no setup or minimum monthly cost. • **Shareit (www.shareit.com)** is an e-commerce solution for selling software and digital content over the Internet. • **eBay Giving (http://givingworks.ebay.com/nonprofit/)** provides revenue-generating solutions for nonprofits to auction digital or actual goods and services.

B. Digital Resources for Nonprofit Sustainability *(continued)*

Sustainability strategy	Innovative precedents	Useful resources

5. Online sourcing and provision of services
 	
Scenario
 	
Local groups engage free online services, volunteers and affordably-compensated specialists for skills training and enhancement of digital content; groups also can win fee-paid projects in online markets
 	
Value
 	
• Lowers costs for local groups of training and staffing
 	
• Increases revenues as local groups gain fee-paid projects, including web research and localization services
	SOURCE**FORGE**.net **Sourceforge.Net**
	
	http://sourceforge.net/donate/
	SourceForge.net currently offers free web hosting services to more than 100,000 Open Source software development projects. High quality online community-developed software is produced that may be downloaded and used. SourceForge maintains more than 80 dedicated servers and has a full-time staff team. Volunteers around the world can freely launch and maintain software application development projects benefiting causes of their choosing.
	
	charityfocus.org **CharityFocus**
	http://charityfocus.org/services/
	CharityFocus is a volunteer-run group that helps empower other nonprofits by implementing web solutions for local needs. It offers nonprofit organizations free services that include preparing, designing, and marketing web sites without charge.
	
	WORKING ASSETS *Making it easy to make a difference.* **Working Assets**
	http://www.workingassets.com/
	When customers use Working Assets services such as long distance calling, cell phone, or credit card services, a portion of the proceeds goes to local non-profit groups engaged in affiliated causes. Over $47 million has so far been raised through this process to date.
		Providers of free online services and content hosting
		
		• www.google.com/translations is a source of free online translations (draft quality).
		
		• http://ourmedia.org/ offers online hosting of digital content.
		
		Sources of online volunteers:
		
		• www.networkforgood.org offers a free channel and dozens of links for secure online donations and volunteer opportunities for nonprofit ventures. Linked resources include:
		
		  o Idealist.org
		  o National Mentoring Partnership
		  o UNV's Online Volunteering Service
		  o SERVEnet
		  o StargazerNET.net's Voluntarium
		  o The Virtual Volunteering Project
		  o Cisco Volunteer Connection Tool
		  o VolunteerMatch
		
		Sources of affordable professionals:
		
		• The following are online "reverse auction" marketplaces for engaging affordable specialists: www.elance.com , www.Guru.com , and www.rentacoder.com .
		
		• www.NPower.org NPower is a countrywide network of local nonprofits that offers discounted consulting to thousands of other nonprofits to accomplish their goals through the strategic use of technology.
		
		Sources of fee-paid projects:
		
		• Nonprofit groups can win revenue-generating projects through bidding to provide services in online telework markets, including (www.elance.com , www.Guru.com , and www.rentacoder.com .

B. Digital Resources for Nonprofit Sustainability *(continued)*

Sustainability strategy	Innovative precedents	Useful resources
6. Catalyzing endowments (land grants & in-kind contributions) **Scenario** Local groups gain property holdings through privatizations or diaspora purchase of prime sites; alternatively, residents join in lasting contracts to give funds and time (e.g. propertyowners associations) **Value** • Builds tangible assets for nonprofit sustainability • Strengthens member commitments to provide ongoing support	**Friends of Calakmul** http://www.calakmul.org/html/save.html Friends of Calakmul (FOC) is a non-profit organization that uses the web to secure land for the conservation of jaguars and of their habitats, in the tropical forests of Calakmul, Mexico. FOC was formed by a group of scientists and other conservationists concerned about the threat posed to these tropical forests by logging and illegal hunting. In partnership with the ejidatarios –the community owners of the land – Friends of Calakmul (FOC) pays them a yearly fee in perpetuity in exchange for conserving their land. **Manitou Institute** http://www.manitou.org/ The Manitou Institute is a charitable organization started to support local spiritual, educational and environmental projects and programs, and to administer the Manitou Habitat Conservation Program (MHCP). Manitou has over the past seventeen years granted away or sold some 750 acres of land and still holds approximately 950 acres. Selected grantees and purchasers partner with Manitou, to work cohesively on stewardship plans in the chosen field of development, with a focus on minimizing the impacts of human activities and optimizing the intrinsic value of the land.	• http://www.privatizationlink.com/ This web site has an updated database of international privatization opportunities (including land) offered to for-profit and nonprofit purchasers. The site is sponsored by the World Bank's MIGA group. • http://www.pledgebank.com/scaredydonors PledgeBank mobilizes volunteers and donors on a contingent agreement basis, which commits individuals to share the costs of supporting a good cause once a threshold number of others have publicly agreed online to do the same.

B. Digital Resources for Nonprofit Sustainability *(continued)*

Sustainability strategy	Innovative precedents	Useful resources
7. Setting up self-funding micro-scholarship and microinvestment programs **Scenario** Local groups set up self-sustaining microscholarship and microfinance funds **Value** • Residents have new reason to join as active members of local nonprofit groups to access these resources • Repayments of microscholarships and profits from microinvestments can enhance the budget of local groups • Earnings from the land grant endowments (e.g. fees from development concessions) can support expanded microscholarship and microinvestment programs	**lumni** **Lumni Finance** **www.lumnifinance.com** Lumni is a private "human capital investment" fund that underwrites costs of undergraduate and post-graduate studies by students in Chile, Peru, and Colombia. Rather than expect students to repay a loan, it sustains operations through a small percentage of each recipient's earnings in the workplace for an agreed period. **CAREER CONCEPT**® **CareerConcept** www.career-concept.de CareerConcept is a European self-funding educational investment initiative that is based on agreements by recipients to repay a portion of their annual earnings. **GRAMEEN**™ Banking for the poor **Grameen Bank** http://www.grameen-info.org/ Grameen Bank extends credit to the rural poor Bangladesh without insisting on traditional collateral. The Grameen bank system is based on mutual trust, accountability, participation and creativity. As of 2004, Grameen Bank had 1267 branches serving 46,000 villages and has 3.7 million borrowers, 96 percent of whom are women. Recently, the Bank has established a Scholarship Program out of the surpluses earned by the borrow-owned Bank (see http://www.grameen-info.org/annualreport/2003/la-spmc.html).	• The International Herald Tribune has profiled in a recent article several "human capital investment funds" in Europe and Latin America, which fund individual education costs in return for a share of future earnings. (http://www.iht.com/bin/print_ipub.php?file=/articles/2005/06/17/yourmoney/mschool.php) • Nonprofit groups seeking to launch self-funding microfinance projects can obtain how-to guidance from: http://www.microfinancegateway.org/section/resourcecenters/ .

B. Digital Resources for Nonprofit Sustainability *(continued)*

Sustainability strategy	Innovative precedents	Useful resources
8. Awakening "dead capital" with grassroots land titling/registry projects and other eGovernment solutions **Scenario** Introduce IT-enabled solutions to create transparent land registry systems and licensing procedures (for business formation, telecommunications licenses, etc.) **Value** • Enhances value of land grants and other assets held by nonprofit groups • Stimulates economic growth in surrounding community, enabling residents to build wealth and more generously support good causes.	**Pioneer eLabs** Pioneer eLabs **www.pioneerelabs.com/who.html** Pioneer eLabs is a Hyderabad, India-based global eBusiness solutions company responsible for web-enabled automatic generation of Jamabandi (record of land ownership rights) in a first-of-kind project with native language support and web-accessible land ownership maps. --- *Bhoomi* **Bhoomi Land Registry** *www.revdept-01.kar.nic.in/Bhoomi/GuideKiosk.htm* Under the Bhoomi project in Karnataka, India, kiosks have been set up in several districts of the State. Touch-screen kiosks enable farmers and investors to view land ownership records directly. Users pay a fee for a print-out of their Record of Rights, Tenancy and Crops. Farmers can apply online for formal recognition of ownership changes through sale or inheritance. More than 20 million records of land ownership benefiting 6.7 million farmers have been computerized to date.	• www.giscorps.org GISCorps coordinates short term, volunteer based Geographic Information Services (GIS) to underprivileged communities. Its aim is to promote effective use of spatial information technologies. • http://www.linz.govt.nz/rcs/linz/pub/web/root/home/index.jsp LINZ provides a model of web-enabled government bodies responsible for transparent land titling and registration systems, and for offering public land concessions to private developers. • www.agimo.gov.au/_data/assets/file/19014/PPP.pdf. This study on Public-Private Partnership Opportunities in eGovernment summarizes opportunities and global precedents for improving land registry systems, speeding business license issuance, and streamlining public sector operations. The focus is on privately-funded systems in which developers of eGovernment solutions receive as their payment an agreed portion of user fees.

APPENDIX C

A Self-Assessment Checklist for Donors

I. Awareness *(check understanding of key Digital Donation concepts)*

Types of gifts:

[ ]   digital goods (e.g. free software and digital content)

[ ]   online services (free automated and human services)

[ ]   electronic payment and voucher systems

II. Current Practice *(check degree to which Digital Donations are offered by your philanthropy or NGO on the following basis)*

[ ]   We offer no Digital Donations

[ ]   We offer Digital Donations without encouraging recipients to operate in new ways

[ ]   We offer Digital Donations to recipients who agree to act on sustainability strategies

[ ]   We offer Digital Donations to recipients who agree to "give back" or "pay it forward" relationships with others who are in need

III. Future Path *(check degree to which your philanthropy or NGO is ready to do the following)*

[ ]   We plan no action on Digital Donations

[ ]   We are interested in exploring Digital Donations as a supplement to current patterns of giving

[ ]   We are interested in exploring Digital Donations as a strategic initiative to encourage sustainability among our current grant recipients

[ ]   We are interested in exploring Digital Donations as a strategic initiative to build relationships with groups that are not currently reached

[ ]   We are interested in exploring cooperation with other philanthropies on opportunities for coordinating grant offers to nonprofit causes

[ ]   We would like to help launch a Digital Donors Consortium (see Appendix E) to explore opportunities for coordinating grant offers to nonprofit causes

APPENDIX D

Sustainability Scorecard for Grant Applicants

The following criteria can be used in evaluating grant requests from established and newly-forming nonprofit organizations:

1. **Does applicant's grant request show an awareness of specific nonprofit sustainability strategies and/or "Digital Resources for Sustainability" as noted in Appendix B?**

2. **Does applicant's grant request show a readiness to mobilize land or in-kind assets in response to a challenge grant offer?**

3. **Does the organization's grant application show evidence of adopting any of the following "Early Win" strategies?**

Yes/No	Type of Adopted Strategy
	Step 1. Passing through Digital Donations as Member Benefits
	Step 2. Using Communications Breakthroughs
	Step 3. Linking the Grassroots Base to the "Top of the Pyramid"
	Step 4. Creating Marketable Digital Products
	Step 5. Online Sourcing and Provision of Services
	Step 6. Catalyzing Endowments (Land Grant & Inkind)
	Step 7. Setting Up Self-Funding Microscholarship and Microinvestment Systems
	Step 8. Awakening "Dead Capital" with eGovernment Demonstration Projects

4. **Has the organization's grant application included a plan to implement any of the following "early win" strategies?**

Yes/No	Type of Planned Strategy
	Step 1. Passing through Digital Donations as Member Benefits
	Step 2. Using Communications Breakthroughs
	Step 3. Linking the Grassroots Base to the "Top of the Pyramid"
	Step 4. Creating Marketable Digital Products
	Step 5. Online Sourcing and Provision of Services
	Step 6. Catalyzing Endowments (Land Grant & Inkind)
	Step 7. Setting Up Self-Funding Microscholarship and Microinvestment Systems
	Step 8. Awakening "Dead Capital" with eGovernment Demonstration Projects

APPENDIX E

Working Agenda for a Future
Digital Donors Consortium

I. Aim

International philanthropists and global NGOs can multiply results from their respective Digital Donation initiatives by coordinating aspects of their respective strategies. The following are among the issues and opportunities that can be addressed by a Digital Donors Consortium working group.

II. Areas for Proposed Donor Cooperation

1. Defining high-potential offers of Digital Donations.

Activities in this area can include:

- *Conducting global surveys* of community-based nonprofit groups regarding types of Digital Donation offers (e.g. online courses, certifications, vouchers for telemedicine services, virtual internship/work-study offers, and telework opportunities) most valued by local residents.

- *Surveying global and regional donors* regarding proposed Digital Donation packages and local sustainability scenarios to be promoted (e.g. sharing in revenues from land grant endowments and human capital funds).

- *Defining standard eligibility conditions* to be used by Donors in evaluating requests for support by new and established local self-help initiatives.

- *Setting common standards for "giving back" and pay-it-forward agreements* by recipients of Digital Donations

2. Mobilizing global allies and partners

Among the potential activities in this area are:

- *Obtaining support from prominent individuals* for the initial coordinated Digital Donation offers (this support can include agreements to occasionally take part in online chats, web conferences, or other media events that benefit Digital Donor Consortium-assisted grassroots self-help groups).

- *Defining frameworks for success-sharing partnerships* between highly-regarded global NGOs and local nonprofit organizations, such as inclusion (with agreement by local partners) in land grant asset gains.

3.   Building jointly-sponsored resource portals and toolkits

Activities in this area can include developing a web-based resource portal and "nonprofit sustainability toolkits" (including interviews with successful practitioners, case studies of exemplary projects, specialized business plan templates, and links to allies and resource providers) to help nonprofit groups move towards self-sufficiency. Coordinated efforts can be launched to provide specialized resources as follows:

- *Offering a portal and toolkit for Digital Donors*

  - models of challenge grant criteria for Digital Donations
  - orientation materials for circulation to currently supported NGOs (and for organizers of new nonprofit initiatives)
  - an online workspace to encourage common strategic interactions
  - a microprojects forum for global NGOs to engage local nonprofit groups and their members in mutually-beneficial online internship, work-study, and outsourcing relationships; and
  - a forum on global open source projects to deliver eGovernment solutions to awaken land values and improve operating climates.

- *Offering a portal and toolkit for global NGOs*

  - a web-based wizard for "Digital Donation readiness" self-assessments
  - model business plans for global:local NGO partnerships to develop "open world zones" and World Cities

- *Offering a portal and toolkit for local nonprofit groups*

  - a web-based wizard for "Digital Donation readiness" self-assessments
  - model business plans for local:global NGO partnerships to develop "open world zones" and World Cities
  - a "nonprofit sustainability incubator" (with CD-ROM and USB Flash drive options); and
  - resources for sustainability, including updates and expansion of the online directory contained in Appendix B.

4.   Sponsoring an online clearinghouse for volunteers

The Consortium can also sponsor online peer-to-peer forums moderated by successful practitioners, where interested individuals, onshore and offshore, can start or join online groups and where volunteers can build reputations by assisting global and local sustainability initiatives.

Such resources may prove useful for established nonprofit organizations, for newly-forming nonprofit groups that seek assistance in launch and operational sustainability in the near-term, and for local governments seeking to engage talent to assist in implementing world-class policy and institutional reforms.

5.   Jointly sponsoring high profile awards to encourage breakthroughs

Philanthropies participating in the Digital Donations Consortium can also organize a premium package of Digital Donation awards to be offered to areas offering exceptionally liberalized conditions.

"Open World Zones" and larger "World Cities" – offering Dubai-style visa and work permit policies open to refugees and others who gained threshold levels of skills and certifications online – over time could become exceptionally valuable both in real estate gains and as models for further reform in developing economies. Sharing in the assets gains and/or lease revenues could provide further impetus to the sustainability of global and local nonprofit causes, and help ensure funding on a sustainable basis of Digital Donor Consortium operations through the Consortium's inclusion as a small beneficiary in local asset gains or revenue streams from the free areas it helped to catalyze.

APPENDIX F

BACKGROUND ON SABRE FOUNDATION

The Sabre Foundation, founded in 1969, distributes new books and other educational materials to support education, private sector growth, research and higher learning in Africa, countries of the former Soviet Union, the Balkans, Latin America, the Caribbean and selected countries in other regions of the world. Sabre also provides Internet and related information technology training targeted to these regions through workshops in the U.S. and overseas. Sabre's Philosophy of Institutions Project has explored the nature and accountability of free institutions. Sabre Europe AI, a Brussels-based Association Internationale, is qualified under a Royal Belgian Charter to operate throughout the European Union.

Book Donation Program

Sabre's Book Donation Program strives to increase access to information resources in developing and transitional societies through large-scale distribution of in-kind donations of new books and other educational materials. Working closely with overseas non-profit partner organizations in Eastern Europe, the former Soviet Union, Africa and select other regions of the world, Sabre has to date shipped new books, journals, CD-ROMS and early learning materials to more than 80 countries.

Library and Information Technology Services

Sabre has supported the following activities in this field:

> *Internet Training Workshops.* The workshops are an extension of Sabre's efforts to make information resources more available to organizations and individuals in developing and transitional countries, IT workshops help professionals and students make use of the vast amounts of information the Internet and related technologies can provide.

> *Library Development.* Sabre staff work with overseas institutions to develop library collections and technical services (particularly focussing on classification and cataloging issues) and advise in the application of information technology. Sabre also conducts Internet-related workshops specially designed for librarians.

Philosophy of Institutions Project

Sabre's practical work to promote education and free inquiry around the world has stemmed from its long-standing philosophical programs examining the ideals animating free institutions. The work of Josiah Lee Auspitz has explored the conceptual grounds of modern institutions. From time to time Sabre has organized and sponsored international conferences, scholarly research and publication. Most recently, Sabre has supported

formation of the Michael Oakeshott Association and the Burton C. Gray Memorial Conference, dedicated to Oakeshott's centenary.

Sabre is a tax-exempt 501(c)(3) organization under the U.S. Internal Revenue Code, and is registered as a Private Voluntary Organization with the U.S. Agency for International Development. Sabre is not a grant-making foundation. Further information is available from:

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