

Funding Practice

European Knowledge Hub



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Carola Carazzone as host at the ProAction cafe open space at the PEX Forum 2021, Anke Patsch, Delphine Moralis, Ellis Murray, Liana Varon, Maria Chertok, Roxana Sofica, Siep Wijsenbeek... the document is open for contribution from anyone!

Introduction

Where we have been

In the context of the emergency responses to Covid-19, there were several initiatives to encourage more flexible funding practices. In particular, two pledges in this sense have been issued:

- [In Europe 186 signatories foundations](#)
- [In the US almost 800 signatories foundations](#)

Over a few short weeks in March 2020, some funders overhauled their processes, dismantling onerous reporting structures and proactively offering a range of financial and flexible support.

Will these funder commitments and the Covid experience have a long-lasting impact? Will they contribute to change funder practice in Europe?

Where we are coming from

There is a growing awareness among funders about how deeply funding practice impacts the power, voice, resilience and creativity of grantees, especially civil society organizations and social movements all over the world. All over Europe (and beyond), several false myths combined – among which overheads and that nonprofits should cost very little, and all funding must be project- restricted and allocated to outputs/ activities - are impacting on grantees, keeping them in what is known as “starvation cycle”, reducing their capacity, influence, resilience.

According to [Breaking the Starvation Cycle](#) report by Humentum (2022) highlights 3 key findings:

- Most funders provide inadequate coverage of their grantees’ administration costs, contributing to a starvation cycle with significant negative organisational impacts.
 - 2/3 of both the restricted funding agreements (63%) and of the restricted funders (68%), provided less than their fair share of administration costs.
- Inadequate cost coverage and limited access to unrestricted income is making it extremely challenging for most NGOs to achieve stable financial health.

- 50% of the NGOs had unrestricted reserves equivalent 50% to 21 days or less of annual expenditure.
- To stop trapping grantees in the starvation cycle and start building resilience, funders will need to provide: a) full cost coverage b) means by which grantees can contribute to unrestricted reserves and c) support to strengthen grantees' cost recovery capabilities.

Civil society organizations and activists require mission-oriented flexible and long-term core support, while mainstream funding practice in European countries is still mainly short-term and project-restricted. Could these be some of the self-imposed stumbling blocks in promoting systems change?

On the other side, funders are starting to pose themselves questions about

1. Core Support: how to embrace a poli-capital or a continuum of capital approach (including intellectual, relational, social etc and not only financial capital) able to untap the whole potential of funders' assets and resources? How to develop more tools in the toolbox of grantmaking such as among others revolving funds and regranting schemes to offer a more flexible and bespoke support?
2. Trust-based philanthropy
3. How to empower grantees to step up and speak truth to power? CEP [grantees perception report](#) could be adapted and useful in Europe?
4. Participatory grantmaking
5. Funding system change

For a compilation of essays on funding practice leapambassadors.org

Funding performance: how great donors invest in grantee success, 2021

Monograph Funding Performance: How Great Donors Invest in Grantee Success is a collection of essays intended to encourage flexible, trust-based funding practices.

The Leap Ambassadors Community, Tipping Point Community, Ford Foundation, The William & Flora Hewlett Foundation, The Bridgespan Group, and FMA join forces to advance the same goal, and a testament to the importance of the subject at hand.

Selection Guidelines

Selection Guidelines Selected resources should...
1. Have a topic related to funding practice
2. Be open source [although other valuable sources are not excluded]
3. Fit preferably within the European context [although other valuable sources are not excluded]
4. Be formatted as follows: Name of organisation: Title of the resource [link] (date of publication)

Content

- A. [Core Support/Funding](#)
- B. [Trust-based Philanthropy](#)
- C. [How Can Grantees Speak Truth To Power](#)
- D. [Participatory Grantmaking](#)
- E. [Funding System Change](#)

Resources

A. CORE SUPPORT / FUNDING

Centre for Effective Philanthropy: Foundations respond to crisis: toward greater flexibility and responsiveness [[link](#)] (2020)

In this report—the final of [three-part series](#)—Centre for Effective Philanthropy explores the extent to which foundations are being more flexible and responsive, including loosening grant restrictions, reducing what is asked of grantees, and providing more unrestricted support. Most foundations have changed their practices to be more flexible and responsive. They are loosening grant restrictions, providing more unrestricted funding, and reducing what they ask of grantees. Many plan to continue these practices in the future, though to a lesser degree than during their pandemic response.

OAK Foundation: What evidence is there on the impact of core funding? [[link](#)] (2024)

Centre for Effective Philanthropy: New attitudes, old practices: the provision of multiyear general operating support [[link](#)] (2020)

One of the latest Center for Effective Philanthropy report that brings to the table 3 key findings:

1. Nonprofit leaders report that receiving multiyear GOS (General Operating Support) would result in many benefits to the health of their organizations—including the ability to plan for the future, the opportunity to focus on their work, and the capacity to invest in staff—and, ultimately, increase the impact they can have on society.
2. When it comes to multiyear GOS, foundation leaders' attitudes and practices are not well aligned. Foundation CEOs believe GOS and multiyear grants are an effective means for supporting grantees' work, and the majority report being in favor of increasing the percentage of grantees receiving multiyear GOS. Yet, many foundations provide no multiyear GOS, and those that do only provide it to a small percentage of the nonprofits they support.
3. We were unable to identify significant barriers foundation leaders experience in providing or increasing their provision of multiyear GOS. The explanation for why it's not being done more widely seems to be that it doesn't fit with the foundation's approach, simply hasn't been prioritized, or, for a subset of community foundations, isn't seen as possible given constraints. However, the subset of foundation leaders who

provide more multiyear GOS have made an intentional choice borne of their belief that it will build trust, strengthen relationships, and increase impact.

ACF: Funding Practices [[link](#)] (2019-2020)

ACF has identified through a participatory approach, involving its members, that lasted almost 2 years, identified 5 pillars for stronger foundation practice when it comes to funding practice.

FRA: Civic space – experiences of organisations in 2019 [[link](#)] (2020)

This paper presents key findings from Fundamental RIGHTS Agency's second consultation of its Fundamental Rights Platform, focusing on the experiences of civil society organisations (CSOs) working on human rights. FRA started an annual consultation with organisations participating in its platform in 2018.

Among the findings, the prevalence of short-term, project-based funding makes it difficult for CSOs to plan and operate sustainably in the long term. Adequately resourced, the proposed EU Justice, Rights and Values Fund would be an important initiative in this regard.

OAK Foundation, Laudes Foundation, Mava Foundation, Mercator and Peace Nexus: Funding Organisational Development: a smart investment to multiply impact Views from five foundations [[link](#)] (2020)

This report shares insights from the five foundations on how to engage in Organizational Development, discusses the institutional set-up is needed, explores the OD process and highlights ongoing dilemmas. They address key questions: what is OD, why invest in it, what do partners need to benefit from OD, what does require of foundations, and how do you know what difference OD is making.

Find a recap of their answers in this blog article [[link](#)]

Philea Organisation Development Group: Building Resilience in Times of Crisis : Part 1: Supporting partners' response and adaptation in funding crises (2025) [[link](#)]

OAK Foundation: Hedging Against Unpredictability: A Case for General Support [[link](#)] (2021)

Ford Foundation: BUILD program [[link](#)]



Through the BUILD program, Ford Foundation invests in organizations as partners and collaborates closely with them, but the organization is in the driver's seat—with the trust, flexibility, and support they need to do their best work.

This means providing organizations with five kinds of support: flexible funding, assessment tools, focused strengthening, peer learning, rigorous evaluation.

ESMÉE FAIRBAIRN FOUNDATION: Strategic plan 2020-2025 [[link](#)] (2020)

In its 5-years strategy, Esmée Fairbairn Foundation outlines its objective for the 2030 Agenda and the tools it is going to deploy. Among these, they are willing to keep on providing core/unrestricted long-term funding to the organisations they support and the funding plus programme, a capacity building product to enable organizations to flourish.

IVAR and London Funders: #FlexibleFunders [[link](#)] (Feb, 2021)

Over 40 funders have signed a pledge for open and trusting grant-making, committing to be #FlexibleFunders for the organisations they support.

A new campaign has been launched on 11th February 2021 by the Institute for Voluntary Action Research (IVAR), in collaboration with London Funders and a small group of UK foundations and charities. They are calling on funders to adopt simpler, more flexible practices that make life easier for those they fund, in light of the ongoing uncertainty caused by Covid-19. Their ambition is to see these commitments extend beyond the crisis: to become standard practice in the sector.

This pledge is built on the stand by the sector statement, led by London Funders, which over 400 funders signed – in recognition of the impact that the Covid-19 outbreak continues to have on civil society groups, and to provide assurance that they stand with the sector at this time.

This pledge complements other work aiming to influence change – both in funder practice and improving relationships between charities and funders, such as ACF's Stronger Foundations initiative.

[Radical Flexibility Fund](#), USA, March 2021

Launched in March 2021 to address the “how” of new financing solutions, Radical Flexibility Fund (RFF) joins a movement working to transform the current foreign assistance and private foundation funding model to more efficiently and effectively get resources to individuals, networks and civil society organizations.

The Fund works with stakeholders and clients to gather information about new financing approaches; uses that information to design and facilitate processes led by grassroots organizations to reduce external dependencies and effectively and sustainably resource work in their communities; supports the generation of locally-led knowledge; and learns, evolves with and shares these new approaches.



“Why are we building the future the old way? The traditional donor funding framework is not fit for purpose to support a key lever of social change: local people and communities. According to [Development Initiatives](#), direct donor funding to local and national groups declined from 3.5% in 2016 to 2.1% in 2020.

The aspiration and rhetoric to shift power to locally-led social change efforts exist, in the form of many United Nations resolutions, and government and organizational policies. While there is some action, not nearly enough has been done to transition these aspirations from talk and policy to practical new financing models which support local communities pursuing their own goals to achieve safe, healthy and just societies.

In order to translate rhetoric into action with new results, we must: gather the right people in authentic partnership; identify challenges collectively; and, based on that process, provide potential new - radically flexible - solutions”.

Rockefeller Philanthropy Advisors: Strategic time horizons in philanthropy - Key trends and considerations [[link](#)] (2021)

This publication is part of a two-volume donor guide that updates and expands upon an earlier Rockefeller Philanthropy Advisors publication, Selecting a Time Horizon. Volume one (this publication) explores practical considerations for selecting a strategic time horizon that aligns with your philanthropic goals and vision

Ford Foundation: What it really takes to influence funding practice? [[link](#)] (2019)

Funding for real Change: Ariadne and EDGE Funders Alliance came together to create this website in order to acknowledge that project-restricted funding will most likely continue to be the most common way of supporting grantees while also advocating for a future where multi-year flexible funding is more common [[link](#)] (2022)

Much of the data on this site is developed by Humentum and MilwayPLUS, facilitated by BDO FMA and resourced by Funders for Real Cost, Real Change (FRC) Collaborative and the Ford Foundation.

Over the course of the pandemic, more than 60 percent of foundations loosened restrictions and lightened reporting for grants. Now is the time to normalize good grantmaking practices across the sector and to ensure that civil society organizations & social movements are not deprived of the resources they need. Project-based giving doesn't have to put organizations in a straitjacket – it can be done in a more flexible and equitable way.



This project, co-hosted by Ariadne and EDGE Funders Alliance, explore and deep dive into a spectrum of practices and resources that vary in flexibility: starting with increasing indirect cost coverage all the way to multi-year flexible funding. That is:

- Indirect cost recovery
- All-in project support
- Flexible Programmatic Funding
- Targeted Growth Support
- Flexible Support
- Multi year flexible funding

Pears Foundation: Strategy and grantmaking approach [[link](#)]

B. TRUST BASED PHILANTHROPY

Trust-Based Philanthropy: An Overview

Launched in January 2020 the Trust-Based Philanthropy Projects is a five-year, peer-to-peer funder initiative to address the inherent power imbalances between foundations and nonprofits. The project builds on its members practices including a growing community of funders committed to making the ecosystem of philanthropy one that is trust-based, and examining the structural and relational conditions necessary for that ecosystem to: Center equity, humility and transparency; Recognize the power imbalance between funders and grantees, and work to actively rebalance it; Deeply value the quality of relationships, and honor the how we treat others on the path to winning on our issues, as much as the act of winning itself.

They have developed 6 core principles, able to put trust-based philanthropy into action ([here the guide](#)) - [Check resources area](#)

1. Give Multi-Year, Unrestricted Funding
2. Do the Homework
3. Simplify & Streamline Paperwork
4. Be Transparent & Responsive
5. Solicit & Act on Feedback
6. Offer Support Beyond the Check

Latest article: We're here to clear the air on what trust-based philanthropy is and what it isn't [[link](#)] – Alliance Magazine (2022)

Transformative Philanthropy - Giving with trust, by Ise Bosch, Ise Bosch, Justus Eisfeld, and Claudia Bollwinkel [[link](#)]



Philanthropy can repeat oppressive patterns, or it can transform donor-recipient relations by giving decision-making power and trust along with money. The idea is to stop being stuck in what Peter Buffet calls “[Philanthropic Colonialism](#)”, where donors keep the agenda setting power to themselves. Read full article here [\[link\]](#)

GlobalGiving: Why Trust-Based Philanthropy Is The Best Response To The COVID-19 Crisis, Chase Williams [\[link\]](#) (2020)

CEP: The Urgency of Trust-Based Philanthropy [\[link\]](#) (2020)

SSIR: Building a Trust-Based Philanthropy to Shift Power Back to Communities [\[link\]](#) (2020)

Decolonizing Wealth: Indigenous Wisdom To Heal Divides and Restore Balance, Edgar Villanueva [\[link\]](#) (2020)

Trust-based philanthropy approach: the case of Headwaters Foundation [\[link\]](#)

CEP: Trust-Based Philanthropy 9-month peer-leader learning cohort [\[link\]](#)
Informed by CEP’s decades of research on the drivers of effective grantmaking and funder-grantee dynamics, this Learning Cohort will help you lead your organization in implementing trust-based philanthropy practices. Connect with a supportive group of peer leaders while you deepen your knowledge of trust-based philanthropy principles, troubleshoot barriers at your foundation, set and achieve goals, and create change at your foundation.

Community Foundations of Canada: Exploring trust-based Philanthropy [\[link\]](#) (2021)

Trust-based philanthropy is being embraced by a growing number of foundations to alleviate power imbalances between funders and grantees while fostering more productive and informative relationships. Driven by the central philosophy that funders should approach grantee relationships as learning partnerships, a trust-based approach encourages multi-year unrestricted funding, streamlined reporting, and transparent and responsive communication. In this webinar, participants will understand the premise of trust-based philanthropy and hear from community foundations that are embracing trust-based approaches and how these practices align with the organization’s values.

[The Strategic Value of Trust-Based Philanthropy](#) – Stanford Social Innovation Review (2024)



[Unlocking Lasting Change: Trust-Based Philanthropy for Maximum Impact in Asia](#) - AVPN

[We're here to clear the air on what trust-based philanthropy is and what it isn't](#) - Alliance Magazine (2022)

C. HOW CAN GRANTEES SPEAK TRUTH TO POWER

EFC: Smarter Grantmaking for Grantee Organizations: Conversations to Have with Funders [\[link\]](#) (2019)

CEP: Grantee Perception Report [\[link\]](#) (2021)

Funder grantmaking and learning practices are best when informed by grantee organization needs and experience. Yet, there are many factors that limit or even block this feedback loop. As funders, Transparency and Accountability Initiative (TAI) members recognize our responsibility to listen and respond to grantee questions and concerns, even when we are unable to provide the desired responses. We invite grantseekers to draw inspiration from this guide to seek clarity and advocate for potential needs with current and prospective funders. We hope the conversations highlighted in the guide will help you and your program officers continue to strengthen grantmaking and learning practices with your partners.

GrantAdvisor: Anonymous public feedback on funder practice. ([US](#), [UK pilot](#), [more info](#), [plans](#))

GrantAdvisor began in the US as a civil society initiative to allow fundraisers and charities to post anonymous reviews of funders (similar to sites like TripAdvisor which allow reviews on hotels, restaurants etc). It has been piloted in the UK.

Nonprofitaf.com: How strategic philanthropy has harmed our sector, and why it refuses to die [\[link\]](#).

D. PARTICIPATORY GRANTMAKING

Grantcraft: Deciding Together: Shifting Power and Resources Through Participatory Grantmaking [\[link\]](#) (2018)

A specific guide that focuses on the why (providing core elements, benefits and challenges) and how funders engage in participatory grantmaking and shifting decision-making power to the very communities impacted by funding decisions.



Calala Women Fund based in Barcelona. It promotes the rights, empowerment and leadership of women in Central America, Mexico and Spain.

Guerrilla Foundation based in Berlin supports activists and social movements

EDGE Funders Alliance is active in promoting participatory grantmaking practices

Hands-on report (based on exchanges with 30 participatory grantmaking experts), community of practices and webinar series that Hannah Paterson of the [TNLCF](#) has been steering thanks to a fellowship of the W. Churchill Memorial Fund. You can find more information [here](#) (including the recordings of the 6 webinars). This approach is reaching a tipping point at least in the interest it provokes within the global / English speaking philanthropic sector. For instance, 271 people registered for one of the abovementioned webinars.

Ford Foundation has published a report on participatory grantmaking: Participatory Grantmaking: Has Its Time Come?

Grantcraft: Deciding Together: Shifting Power and Resources Through Participatory Grantmaking.

MamaCash: Share power- We are becoming a participatory grantmaker. Strategic guide: Together in movement – Ten year strategic guide [[link](#)]

Participatory Grantmaking: A Shared Approach to Effective Change

Those who are closest to problems are often the ones with the greatest insights into how to address them. In many ways, that's the ethos of participatory grantmaking, which empowers communities to decide who and what gets funded. SSIR publisher Michael Voss speaks with Maria De La Cruz of Headwaters Foundation for Justice, Irene Wong of The David & Lucile Packard Foundation, and Mary Jovanovich of Schwab Charitable about what this approach looks like in action.

Candid: Participatory grantmaking resource center- special collection [[link](#)]

Participatory Grantmaking: A Community of Practice Actively working to transform existing power dynamics within philanthropy to move decision-making authority to communities being served

E. FUNDING SYSTEM CHANGE

Ashoka: Accogliere la complessità verso una comprensione condivisa del cambiamento sistemico [\[link\]](#) (2020)

Ashoka's crash course on funding systems change [\[link\]](#)

Otto Scharmer, "[Philanthropy 4.0: Giving in Times of Disruption](#)" 2023

Mark Kramer and Steve Phillips, "[Where Strategic Philanthropy Went Wrong](#)" 2024

OTHER EXAMPLES OF INNOVATIVE WORK

- <https://www.maedchenbeirat.at/> - example of engaging girls in participatory grantmaking processes in Austria, established by the HiL Foundation
- <https://groundtruthsolutions.org/> Putting people first in humanitarian solutions
- <https://www.vertrauen-macht-wirkung.de> Trust creates impact - an initiative by several funders in Germany to enhance trust-based philanthropy.