

# Philanthropy for Systems Change



Courtesy of Paula Bronstein/ The Verbatim Agency/Getty Images



**One of Co-Impact’s goals is to advance collaborative, trust-based philanthropy for systems change and gender justice that both learns from and inspires others, and generates learning for the broader philanthropic community.**

### **Constraints in Philanthropic Practice**

Our model is designed to overcome three key constraints in philanthropic practice that affect both funders and social change leaders.

**Most giving remains relatively small and fragmented and not aligned with what is required for large-scale and enduring impact.**

The nature of most donor grants is unsuited for enabling lasting systems change. Even proven social change leaders struggle to piece together the funding and support to pursue enduring impact at national, regional, or global scale, and have to spend extraordinary time and effort in doing so. Most grants tend to be relatively small, of a short duration (typically 1-2 years), restricted, and do not cover necessary costs related to overhead, monitoring, evaluation and learning, or organizational development.

Often, restrictions on grant use can constrain social change organizations. For example, lots of small grants with earmarked funding can fragment focus and undermine strategic coherence. This fragmentation often requires the leaders of social change organizations to spend way too much of their time – typically upwards of 30% – chasing funds and meeting donor requirements instead of focusing on their core work and developing their strategies for systems change efforts. Donor requirements for proposal writing, due diligence, reporting and others can also be over-burdensome, taking away valuable time and energy from doing the core work.

Furthermore, social change organizations tend to lack reliable access to the kinds of non-financial supports that can significantly accelerate systems change work. Success often requires expertise and capacity in law and policy, marketing and fundraising, leadership and performance management, and ways to nurture an inclusive environment. Additionally, the voice, networks, and convening power of funders can be extraordinary assets to the cause. Yet relatively few funders offer funding and linkages to cover this kind of patient, holistic support—and few change organizations have the resources to secure it on their own.

There are examples of visionary social change organizations driving systems change today and throughout history. Yet these are still relatively few and far between. We know leaders from many proven organizations who are eager – and have already started – to develop compelling and deeply credible plans and partnerships for systems change efforts, but many need flexible support (and encouragement in the form of a realistic funding opportunity) to get their initiatives to a place where they are ready for substantial large-scale investment.

Too often program partners feel that they need to tailor their goals within the priorities, funding cycles and ways of working of their donors. This can consign program partners into a “subcontractor” role as a manager of dozens of short-term donor projects, rather than architects and drivers of a deep and strategically coherent program where each component contributes towards a powerful whole. We believe that it should be the other way around; and funders should try to support the structure and rhythm of their program partners.

**Investment-ready systems change efforts are rare; few social change leaders have built robust strategies, capabilities and partnerships to drive systems change, although many have the vision and ability to do so.**

Many funders want to make substantial investments to help address the world's problems. However, the time and expertise needed to set up, staff, source, carry out due diligence, and extend grants means that even foundations with ambitious goals and large asset bases can find it difficult to find, vet, structure, and support efforts to drive results at scale.

Furthermore, funders with varying perspectives on strategy, focus or geographic preference, can pull program partners in opposing directions, thereby hampering coherence in the process. Aligning around one shared vision and approach is often critical to achieving large-scale results. However, with a few important exceptions, much philanthropy today remains remarkably siloed, and does not work together collaboratively to support strategic coherence among program partners.

Co-Impact nurtures a model of collaborative philanthropy that seeks to better serve social change organizations and funders by overcoming these constraints. In their support for Co-Impact, our funders bring expertise drawn from their experience of supporting systems change and seek to take a new approach.

**There aren't enough efficient mechanisms for funders to find and support high-potential investments, and to collaborate with one another in a meaningful way, especially across borders.**



Courtesy of Jonathan Torgovnik/Getty Images/Images of Empowerment

---

## Collaborating for Systems Change

Even where funders acknowledge the type of flexible and long-term funding that systems change requires, it is still challenging to implement a systems change funding strategy as an individual organization. For this reason, we know that many funders are thinking about how to partner effectively with others.

But the reality is that collaboration isn't always easy in practice. Most collaborations are focused on knowledge exchange or some level of coordination of funding.

However, to address systemic challenges, we need more collaborations that are bolder and willing to go a step further by pooling funding. This means prioritizing outcomes of the initiatives ahead of any specific organizational or individual recognition, and relinquishing some degree of control, in exchange for deeper and more sustainable impact.

Pooling funding towards systems change initiatives can achieve greater impact because the vision is long-term – far beyond a single intervention or year-to-year funding. Successful examples of systems change throughout history have taken decades to achieve. And we recognize that even the five- to six-year grants we make are only a part of the story. Nevertheless, by coming together and investing in this way – in building on what's already working, focusing on organizational strengthening, supporting winning coalitions, and helping to unlock additional capital from other funders or government resources – we are able to make a more meaningful contribution towards long-term systemic change. This approach also allows our partners to secure significant monetary and in-kind leverage from governments and other funders.

Co-Impact is an example of a growing number of collaborative funds. This does not mean that every funder should pool their funding and focus only on systems change; we know that philanthropy can play an important role in areas such as funding early-stage innovation, grassroots organizing or responding to humanitarian crises. We also recognize that the initiatives we choose to fund have usually benefitted for many years from early-stage funding from others. A key reason we focus on long-term, systems change and impact at scale is that research shows that very little funding is available for this sort of work. By pooling resources, we can support partners to work at a scale and level of complexity commensurate with the pressing challenges of today's world.

Funding collaboratively also brings several additional benefits for funders, including: the opportunity to increase learning, support thoughtful decision-making, leverage non-financial expertise, promote operational efficiency, and decrease risk.

Beyond the increased impact of working together for systems change, we also work with others in the wider sector to influence more philanthropy of this nature and better funding practices in general. A **joint report** together with Ashoka, Catalyst 2030, Echoing Green, the Schwab Foundation for Social Entrepreneurship, and the Skoll Foundation published in 2020 represents one of the first major efforts to come to a set of common principles around funding systems change, and very much represents an ongoing conversation. We also use our voice and influence in the sector more widely to encourage what we consider to be better philanthropy.

## Contributing to Thinking About Philanthropy's Role in Society

Over the last few years there has been renewed interest in how philanthropists are using their power and influence in ways that could undermine democratic decision-making. This has led to criticism of philanthropy, particularly in environments where government is shrinking, and philanthropic dollars are replacing or supplanting government functions.

Furthermore, global events have resurfaced challenging and important questions around structural racism, sexism and economic and social inequality, and fundamental discrimination and oppression.

We recognize that these issues are systemic and centuries old. Grappling with the reality of structural racism, sexism, economic and social inequality, and other forms of discrimination raises critical questions about the role philanthropy has been, is, and should be playing. We are also mindful of the fact that those with wealth have disproportionate power and privilege, reinforced by prevailing political and socio-economic systems. As critics have noted, a contradiction at the heart of philanthropy is that systemic arrangements allow wealth to be amassed by a few individuals, in some cases that are harmful to people and the planet, and then this wealth is deployed towards philanthropic causes.

Co-Impact and our partners grapple with these challenges across our work. We believe philanthropy must play an active role in dismantling structural discrimination in all its forms including, but not limited to, on the basis of gender, race, caste, ethnicity, class, disability, and sexual identity, and other socio-contextual factors.

As funders, if we do not actively fight discrimination, we in effect support unjust systems. We seek to strengthen governments and the social compact between people and the state so that we can create societies characterized by equal rights, justice, fairness, and meaningful opportunity for all people to secure livelihoods and build up wealth. We recognize and take inspiration from the ways in which philanthropy has historically supported the development of vibrant civil societies and funded systems change and social movements that have helped social change leaders transform societies.

## Living Out Our Values

Funders also need to examine their own behaviors. We care both about how funds are made, and how they are deployed through philanthropy. At Co-Impact, our policy for accepting funders into our growing community considers the source of funds, including both original source of wealth and current business practices and/or investment policies, the funder's reputation, and alignment with Co-Impact's values and approach. In the past made we have the choice not to work with some funders based on this policy. We continue to review and refine our policy on a regular basis and explore how to further strengthen it.

We see how philanthropy can be both harmful and helpful, depending on how it is practiced. The very nature of Co-Impact as a funder collaborative means that funders who join us are prioritizing shared values and outcomes over their own specific organizational or individual recognition and relinquishing some degree of control.

### Co-Impact's Commitment to Racial Justice

*(published July 13, 2020)*

At Co-Impact, we are mindful of the fact that those with wealth have disproportionate power and privilege, reinforced by prevailing political and socio-economic systems. Grappling with the reality of structural racism, economic and social inequality, and other forms of discrimination raises critical questions about the role philanthropy has been, is, and should be playing.

As funders, if we do not actively fight discrimination, we in effect support unjust systems. If we are serious about equity and inclusion, therefore, our approach and actions need to be actively anti-racist. Since our launch in 2017, we have been leaning into deep-seated issues of systemic exclusion and inequity, and working to continuously learn and improve our practice. And we need to do much more and are committed to doing so. We also know that actions speak louder than words.

Across all aspects of our programs, we apply an intersectional framework to address inequities related to race and other forms of discrimination. Specifically, we use this framework to review our approach to systems change, including how we structure and source our grants, assess proposals, award grants, support partners, strengthen organizations, measure success, and share lessons. We will fulfill our commitment to make 100% of our country-level anchor grants to organizations rooted in the Global South and at least 50% to organizations led by women. And we actively seek to advance Black, Indigenous, and people of color and from other historically disadvantaged constituencies in leadership at all levels, especially in senior management and governance.

Similarly, in our work to influence philanthropy, we will seek to actively promote anti-racism and gender inclusion, and grantmaking that addresses discrimination in all its forms. We look for opportunities to advocate for increased resources towards organizations addressing systemic discrimination and inequality, and that are led and governed by underrepresented groups. We also seek to advance the representation and participation of leaders from the Global South in philanthropy, and work to promote better funding practices.

This anti-racist approach extends to the way that we function internally, as an organization. To be part of Co-Impact means to actively advance equality, and to strive to be anti-racist and against all forms of discrimination. In our recruitment practices, we actively work to increase representation of people from the Global South, and Black, Indigenous, and people of color at all levels among our staff and boards, and to foster a work environment where everyone is respected, taken seriously, and supported to thrive. We actively look for ways to deepen our individual and collective learning and growth.

As we seek to apply these practices, we know that some will remain incomplete. We continue to grapple with how we can do better and will periodically review and strengthen our commitments. We regularly seek feedback and listen with care, internally and externally, so that we can continue to learn and improve. This feedback, and our response to it, will be reflected in an annual report that we share publicly.

By collaborating with funders on systems change initiatives where the role of government, markets, and strengthening local governance are central to our approach to change; where we listen, learn from, and support locally rooted organizations and coalitions to lead and drive the work; and where we actively encourage the collection of feedback from – and agency of – the communities and constituencies being served, we believe we can work towards a model of better philanthropic practice.

The structure and representation of our governance is an essential part of redistributing power. We are strengthening our work to advance the representation and participation of women and leaders from the Global South in philanthropy. As we adapt our organizational model to encompass multiple funds, we are looking to adjust our governance model to require at least 50% representation of non-funder subject experts, drawing from the Global South and who identify as women to guide strategy and high-level decision making.



Courtesy of Yagazie Emezi/Getty Images/Images of Empowerment

---

## Our Approach to Collaborative Philanthropy Fit for Supporting Systems Change

### We strive to support our partners in a respectful manner that is tailored to the challenges of systems change.

Throughout our work, we see program partners and governments as the leaders, architects, and drivers of the deep change they seek. We are program partner-supportive, not directive. Systems are complex: systems-change requires a deep understanding of contexts, local economies, and politics, and that action needs to be driven by local leaders and organizations.

Program partners that have local roots and/or strong relationships with ground-level actors are best placed to achieve – and sustain – results for the communities we ultimately seek to serve.

Thus, the nature of our relationships with program partners is key. We are mindful of the perverse incentives that come into play in a lopsided “grantor-grantee” relationship and commit to actively work to counter those: to seek mutual respect; to listen well; to develop an open, curious and supportive posture; to foster and model candor; to solicit systematic feedback on our relationships; and to use this feedback to make demonstrable improvements.

As funders, we seek to live up to six key philanthropic practices. These apply both to good funding practice, in general, and in supporting systems change, in particular:

- 1. Being outcomes-focused and flexible.** We support program partners to achieve, and hold them accountable to, key outcomes and programmatic milestones. Instead of demanding a detailed plan and budget, we ask for clear articulations of long-term goals, specific outcomes, and periodic milestones, so that program partners can deploy funds flexibly towards mutually agreed goals. The organizations and leaders we work with have the experience and track record to make transformative change: we see our role as supporting them to exercise leadership and achieve powerful outcomes.
- 2. Providing comprehensive support.** We offer significant, longer-term grants accompanied by deep non-financial support. Our major grants include an earmarked amount (typically up to US \$500,000 over 5 years) for strengthening organizational capabilities. We proactively support our program partners to develop and update the skills and capabilities required to run organizations with ambitious systems change goals over the long term.
- 3. Supporting strategic coherence.** Good strategy sits at the heart of successful systems change initiatives. With our grant-making processes, we aim to provide program partners with the time and space needed to clarify their strategic choices. We support their ability to make coherent decisions, including saying “no” to otherwise good ideas and funding from donors when it does not align well with strategic priorities. With our funding, we support their overall systems change strategies and associated budgets rather than restricting to specific parts of their plan –and encourage other funders to do the same.
- 4. Valuing partners’ time and effort.** To enable program partners to focus on their work, we seek to make our requirements simple, streamlined, and predictable. We aim to make our expectations and processes transparent, through documents like the Handbook and our open calls for concept notes. We encourage single reporting to all funders on a schedule that fits the work rhythm of program partners. We minimize unnecessary communications requests and visits and are considerate of our program partners’ time.
- 5. Encouraging learning and adaptation.** Because systems change is complex and dynamic, and since we neither believe that measurement is something that the “grantee does for the donor” nor that success comes from adhering to a fixed plan, we encourage program partners to use data to assess progress and make course corrections.
- 6. Behaving as true partners.** Given that a true partnership is about mutual respect and trust, we set the agenda together with our program partners. We listen with intent and curiosity and challenge where relevant. We aim to listen more than we advise, and we provide feedback on what we have understood. We always strive for empathy.



Courtesy of Yagazie Emezi/Getty Images/Images of Empowerment

## Trust-based Philanthropy

We agree with the Trust-Based Philanthropy Project's view that as grantmakers, we have a responsibility to confront the ways our sector has contributed to systemic inequities, both in the ways wealth is accumulated and in the ways its dissemination is controlled. This history is entrenched in racism, patriarchy, and other forms of oppression, which are at the root of every social issue nonprofits seek to address. As funders, we must recognize how these norms have shaped, informed, and influenced our entire sector—including who is deemed trustworthy, and who is not.

At its core, trust-based philanthropy is about redistributing power—systemically, organizationally, and interpersonally. Part of Co-Impact's reason for being is to redress systematic power imbalances. We believe philanthropy has the power to do more, and better. We employ the core values of trust-based philanthropy in our everyday practice, including leading with trust, centering relationships, collaborating with humility and curiosity, redistributing power, and working for systemic equity. On a practical level for us, this includes multi-year flexible funding and other supports, streamlined applications and reporting, and a commitment to building relationships based on transparency, responsiveness, feedback, and mutual learning.

Source: <https://trustbasedphilanthropy.org/>, accessed June 3rd, 2021



### Give multi-year, unrestricted funding

Multi-year, unrestricted funding gives grantees the flexibility to assess and determine where grant dollars are most needed, and allows for innovation, emergent action, and sustainability.



### Do the homework

Trust-based philanthropy makes it the funder's responsibility to get to know prospective grantees, saving nonprofits time in the early stages of the vetting process.



### Simplify & streamline paperwork

Nonprofits spend an inordinate amount of time on funder-imposed paperwork. Streamlined approaches free up staff time, and pave the way for deeper relationships and mutual accountability.



### Be transparent & responsive

Open communication helps build relationships rooted in trust and mutual accountability. When funders model transparency, power awareness, and vulnerability, it signals to grantees that they can show up more fully.



### Solicit & act on feedback

A foundation's work will be inherently more successful if it is informed by the expertise and lived experience of grantee partners.



### Offer support beyond the check

Responsive, adaptive, non-monetary support bolsters leadership, capacity, and organizational health.



## Our Approach to Working with Philanthropists and Foundations

We seek to grow the funding available for systems change by offering new ways for funders to pool resources.

Co-Impact does not have an endowment or its own funds; our funders come together to pool resources towards a shared purpose. Across all funders, we actively seek to promote the practices of collaborative philanthropy fit for supporting systems change. Funders join the collaboration with a desire to maximize the impact of their funding and learn and share with one another, and the benefits are outlined below. Our leading funders are listed on our website.

### Benefits of funding through/working with Co-Impact

Through Co-Impact, philanthropists, foundations, corporations, and other funders are able to maximize the impact of their giving, while also taking advantage of numerous opportunities to convene, engage, and learn together.

### Maximizing the impact of funding

- **Increase operational efficiency.** Our pooled-funding model encourages collaboration among funders that can help to reduce or eliminate the transaction costs associated with multiple processes for sourcing, vetting, managing, and evaluating systems change initiatives.
- **Decrease risk.** By pooling resources with others, funders can participate in more and deeper work, and reduce the risk in their portfolio. It also minimizes the risk of duplicating efforts.
- **Benefit from Co-Impact's ongoing support for the portfolio of initiatives.** We support our program partners to achieve lasting impact at scale, strengthening their capabilities, relationships, approaches, and learning.
- **Leverage financial and non-financial expertise.** Social change organizations require different kinds of supports from a range of sources. Co-Impact's support can help program partners attract additional funding for their core efforts. We also help aggregate and curate expertise from funders and independent sources, and makes it accessible to our program partners as needed.

### Convening, engaging and learning together

- **Engage with the initiatives.** We organize carefully designed learning visits (usually once per year) as well as provide streamlined reporting and updates on the grants usually twice a year.
- **Targeted convenings and learning opportunities.** We arrange intimate gatherings for funders to expand their knowledge and network hosted around key events around the world, and we provide a series of learning events, focused on learning about the work of program partners and how to be an effective funder.
- **Dedicated platform.** Co-Impact funding partners gain access to an online private platform where we share weekly posts including updates on program partners, sector news, events and reports, and our funding partners share more broadly about their work.
- **Additional engagement.** We invite funding partners to events and learning opportunities organized by Co-Impact program partners and our wider network. Funders also have the opportunity to invite Co-Impact partners to their activities.



Courtesy of Juan Arredondo/Getty Images/Images of Empowerment