

# Philanthropy for Systems Change



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## PHILANTHROPY FOR SYSTEMS CHANGE

Advance a model for donor collaboration for systems change 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), 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 leaders. 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.

Furthermore, social change leaders 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, or 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 leaders have the resources to secure it on their own.

**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.**

There are examples of visionary social change leaders and organizations driving systems change today and throughout history. Yet these are still relatively few and far between, which is not surprising given the challenges and lack of support for them in the funding marketplace described above. 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 targeted 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 need to fit their goals within the priorities, funding cycles and ways of working of their donors. Worse, this consigns program partners into a subcontractee 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; as much as possible funders should try to support the structure and rhythm of their program partners.

**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.**

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 leaders 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.



## Our Approach to Collaborative Philanthropy That Serves Social Change Leaders

### We make grants through a process that is tailored to the challenge 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 grantee-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.

Our commitment is to work with our program partners in a manner that is respectful, supportive, and challenging – as true partners. This means working to reduce unnecessary burdens, and support program partners to achieve outcomes and impact and leave them stronger and more capable. In doing so, we seek to live up to seven key philanthropic practices:

01. **Focus on outcomes:** We prioritize a meaningful difference in – and accountability to – lives of millions of people over other concerns. But we know that the way we structure our support impacts the ability of program partners to deliver. Instead of demanding a detailed plan and detailed budget, we ask for clear articulations of long-term goals, specific outcomes, and periodic milestones. Even as we engage program partners on progress towards outcomes, we seek to understand what questions they are struggling with, and the incentives and mechanisms that are in place to enable course correction.
02. **Provide flexible, long-term, and significant funding:** We offer flexible, longer-term grants of larger size, accompanied by deep non-financial support. Our systems change grants typically range from USD \$10–25 million over five years. As appropriate, we offer support for program partners’ efforts to secure co-funding.
03. **Support 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.

04. **Support organizational strengthening:** We proactively support our program partners to develop and update the skills and capabilities required to run organizations with ambitious systems change goals. Every systems change grant budget includes flexible funding (typically up to US \$500,000 over 5 years) for strengthening organizational capabilities.
05. **Be clear and predictable:** We aim to be clear, transparent, and reasonable about our expectations, and avoid changing goalposts and making unnecessary demands. We do this in part by making our expectations and processes transparent, through documents like the Handbook, the Round 2 Call for Concept Notes, and our Systems Change Approach.
06. **Reduce burdens:** We encourage single reporting to all funders as reporting to each donor in their preferred timeframes and formats adds unnecessary work. We aim to only ask for information that we need and will use, and we try to minimize unnecessary communication requests and visits.
07. **Behave 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 were relevant. We aim to listen more than we advise, and we provide feedback on what we have understood. We strive for empathy. We remind ourselves that our work is about the partners and the people they serve; our job is to stay focused on that goal and seek to be helpful.



Courtesy of CitiesRISE

## Our Approach to Supporting Collaboration Among Philanthropists

We help bring together funders so they can learn, exchange ideas, and extend their expertise to others.

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 in an individual organization. For this reason, we know that many funders are thinking about how to collaborate effectively with others. The motivation is clear: collaborative approaches when focused on systems change can yield greater results than can be achieved alone.

But the reality is that this collaboration isn't always easy in practice and it can also mean different things depending on the level of integration and resources you want to share. When we were assessing the landscape of funder collaborations, we realized that most are focused on knowledge exchange or some level of coordination of funding. To address systemic challenges, we need more collaborations that pool funding. However, pooled funding necessitates that you relinquish some degree of control and accept that the outcomes of the initiatives are prioritized ahead of any specific organizational or individual recognition. Given that philanthropy is a very personal endeavor for many, with donors deriving great personal satisfaction, and often public praise for their work, such collaboration does not often come naturally. Even after foundation founders are no longer present in the decision-making process, their personal views and that of their professional staff continue to steer grant-making.

To provide the "glue" to ensure the collaboration stays the course, we have seen collaborative funds, of which Co-Impact is an example, emerge. In our view, there are still too few examples of funder collaboratives that are pooling funding to achieve a common end and believe that many more are required for philanthropy to achieve its potential. Over and above the increased impact though working together for systems change, we recognize several additional benefits.

- 01. **Increasing learning:** For funders at the beginning of their philanthropic journey, taking a collaborative approach can provide access to knowledge and experience that can help inform future giving strategies and practices. It can also reduce the timeline to a first investment by leveraging the sourcing and due diligence practices of others. Likewise, a more experienced foundation team can learn from the skillsets, approaches, and expertise of their peers.
- 02. **Supporting thoughtful decision-making:** When collaborating with others, the strength of the group manifests itself in the diversity of views and opinions found within the group. The process for building a group consensus is a catalyst for thoughtful decision-making. When you are acting alone, the possibility of making investments that are not aligned with an overall

strategy increases. Working with other foundations and philanthropists means adopting a consistent process for decisions that aligns with personal interests and values, as well as those of the broader group.

- 03. **Leveraging non-financial expertise:** Social change leaders require different kinds of non-financial supports, from areas such as policy, law, and technology, to marketing and performance management. The context of these types of support also varies from one geography and sector to another. It is unlikely that any one foundation has access to or can resource all the non-financial expertise that organizations require. By collaborating with other funders, we can leverage a range of non-financial resources available to support organizations to achieve greater success and impact.
- 04. **Promoting operational efficiency:** Our pooled-funding model encourages collaboration among funders that can help to reduce or eliminate the transaction costs associated with multiple foundations and multiple processes for sourcing, vetting, managing, and evaluating systems change initiatives.
- 05. **Decreasing risk:** We know that meaningful large-scale change requires significant and long-term funding. By pooling resources with others, a funder can participate in more and deeper work, and reduce the risk in the portfolio. It also minimizes the risk of duplicating efforts, especially while individual funders are in the process of learning about a specific sector or cause.
- 06. **Contributing to broader thinking about philanthropy's role in society:** Recently, 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 some criticism of philanthropy, particularly in environments where government is shrinking and philanthropic dollars are replacing or supplanting government functions. We see how philanthropy can be both harmful and helpful, depending on how it is done, and therefore welcome this scrutiny and debate. By collaborating with other funders on systems change initiatives where the role of government, supporting the priorities of program partners, and strengthening local governance are central to our theory of change, and where a beginner's mind, learning and transparency are core values to inform our practice, we hope to contribute to this debate in a helpful manner.

## Our Approach to Growing the Resources Available for Systems Change

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. Our collaborative model engages funders in three ways.

Across all three types of funders, we actively seek to promote the principles of collaborative philanthropy fit for supporting systems change. For Core Partners, Co-Investors and Community Members who want to fund through us, we require that funding to program partners be fully harmonized with our own in order to ease the burden on program partners.



### Core Partners

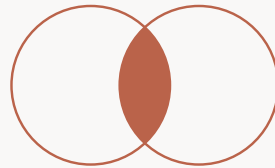
At the core of our collaborative is a group of up to 10 funders from diverse and complementary backgrounds, geographies, and philanthropic experiences.

Each Core Partner typically commits US \$50 million over 10 years to the grantmaking pool; jointly, they approve Co-Impact's strategy and make decisions regarding Co-Impact's portfolio of investments above US \$5 million.

In addition to grant recommendations and input, Core Partners may also support investments with their voice, network and expertise, and personally engage with specific investments as desired, including through additional funding.

Core Partners can also work with Co-Impact on communications efforts and encouraging others to join.

Current Core Partners are listed on our website.



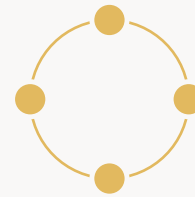
### Co-Investors

These funders invest alongside Co-Impact in specific initiatives that match their geographic or issue-area interests.

For each of our systems change grants, Co-Impact seeks to both structure co-investment from an additional set of funders, and unlock additional investments or matching funds by the most relevant governments, multilaterals, corporate and/or institutional funding partners.

Co-Investors typically contribute a minimum of US \$5 million over five years, either via Co-Impact or directly to the program partner.

The option to co-invest is a great opportunity to: benefit from extensive due diligence and ongoing program support from the core team, advisors and Core Partners' teams; have the ability to help shape an initiative; share in Co-Impact's learning platforms; and significantly leverage their contribution to systems change.



### Community

This is a group of up to 100 individuals, families and foundations who want to join Co-Impact's systems change investments and to collaborate with and learn from one another.

Each member typically contributes US \$500,000 per year for at least three years to the grant-making pool, and can express their preferences as to how the pool of Community funds are allocated towards Co-Impact's initiatives.

Community Members are at different stages of their philanthropic journeys, but are united by the desire to support social change leaders enabling systems change around the world.

Community Members benefit from the extensive work of Co-Impact in sourcing, vetting, structuring, and supporting significant initiatives to multiply their impact.

Community Members can choose to engage more deeply with specific initiatives, as well as Co-Impact's learning platforms.



Co-Impact is a global collaborative through which philanthropists, foundations and other funders can maximize their impact – by providing larger, longer term and more flexible support – for the benefit of millions of people around the world. With a focus on health, education, and economic opportunity in low- and middle-income countries, and a particular emphasis on gender equity and inclusion, Co-Impact brings together funders to invest in ground-breaking initiatives, led by organizations which are deeply rooted in the countries where they seek to make a difference.

Read our full Handbook [here](#).

[co-impact.org](http://co-impact.org)