

# Trust-based Funding: The Role of Unrestricted Funding in Developing Nonprofit Capacities and Effectiveness

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# PRESENTERS & DISCUSSANT



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# CHECKING IN – MENTIMETER POLL

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# A TIME OF RECKONING AND REFLECTION



# RETURNING TO THE DRAWING BOARD



## Philanthropy Back to the Drawing Board

Shaping a Future Agenda

Rien van Gendt



<https://philea.issuelab.org/resource/philanthropy-back-to-the-drawing-board-shaping-a-future-agenda.html>

# REFORMING PRACTICES OR TRANSFORMING PARADIGMS?

**Lankelly Chase announces plans  
redistribute assets, close in five years**

*‘We have been innovating and changing over the last decade to try and shift power, and this has brought us to the point of acknowledging that philanthropic institutions are structured in ways that inevitably repeat the harms and patterns of colonial capitalism that we urgently need to interrupt and stop’*

Source: <https://www.alliancemagazine.org/blog/lankelly-chase-announces-plans-redistribute-assets-close-in-five-years/>

# FUNDING ORGANISATIONS ARE NOT A MONOLITHIC BLOC

## It's time to ditch the mantra of trust-based philanthropy



Simon Sommer

5 April 2022



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## We're here to clear the air on what trust-based philanthropy is and what it isn't



Carrie Avery, Pia Infante, Philip Li and Brenda Solorzano

21 April 2022



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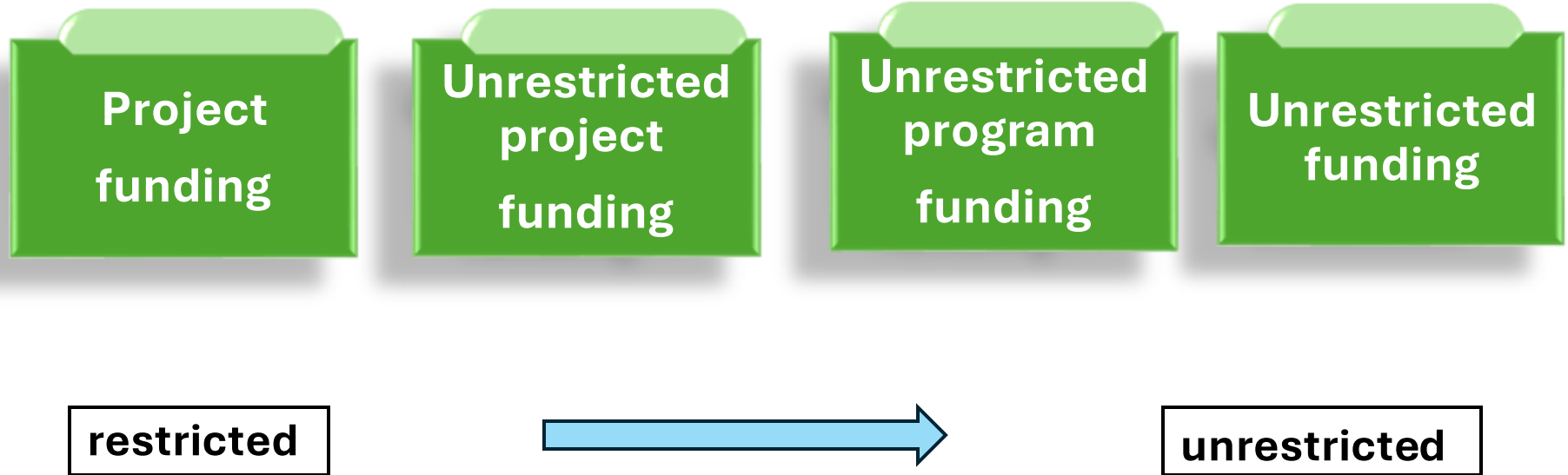
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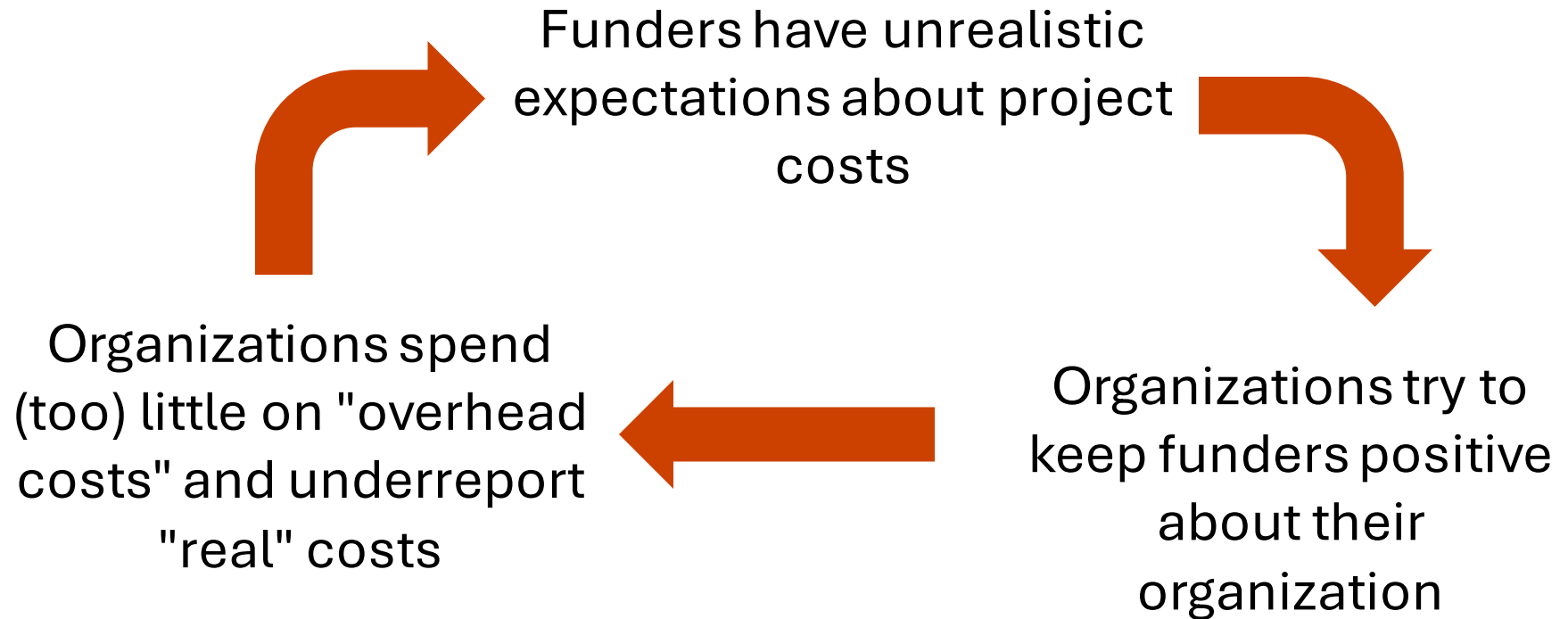
# Funding models in philanthropy



# FUNDING MODELS IN PHILANTHROPY



# THE NONPROFIT STARVATION CYCLE



Gregory & Howard (2019) The Nonprofit Starvation Cycle  
[https://ssir.org/articles/entry/the\\_nonprofit\\_starvation\\_cycle](https://ssir.org/articles/entry/the_nonprofit_starvation_cycle)

# What is unrestricted funding?

## FUNDING MODELS IN PHILANTHROPY



# SOME RECENT NUMBERS

**FIGURE 6.**

## Provision of Unrestricted Grants After the Pandemic

Percentage of foundations that will continue to provide unrestricted grant dollars at the new, higher level after the pandemic is contained (N=173)

Among the 61 percent of foundations that are providing more unrestricted support...



Source: CEP, 2021: 12

CEP, 2023

# STUDY OF THE EFFECTS OF UNRESTRICTED FUNDING

- Overview of academic literature and practical reports
- 20 in-depth interviews with experienced recipients
- Outcome: conceptual model of the impact on 7 "organizational capacities"

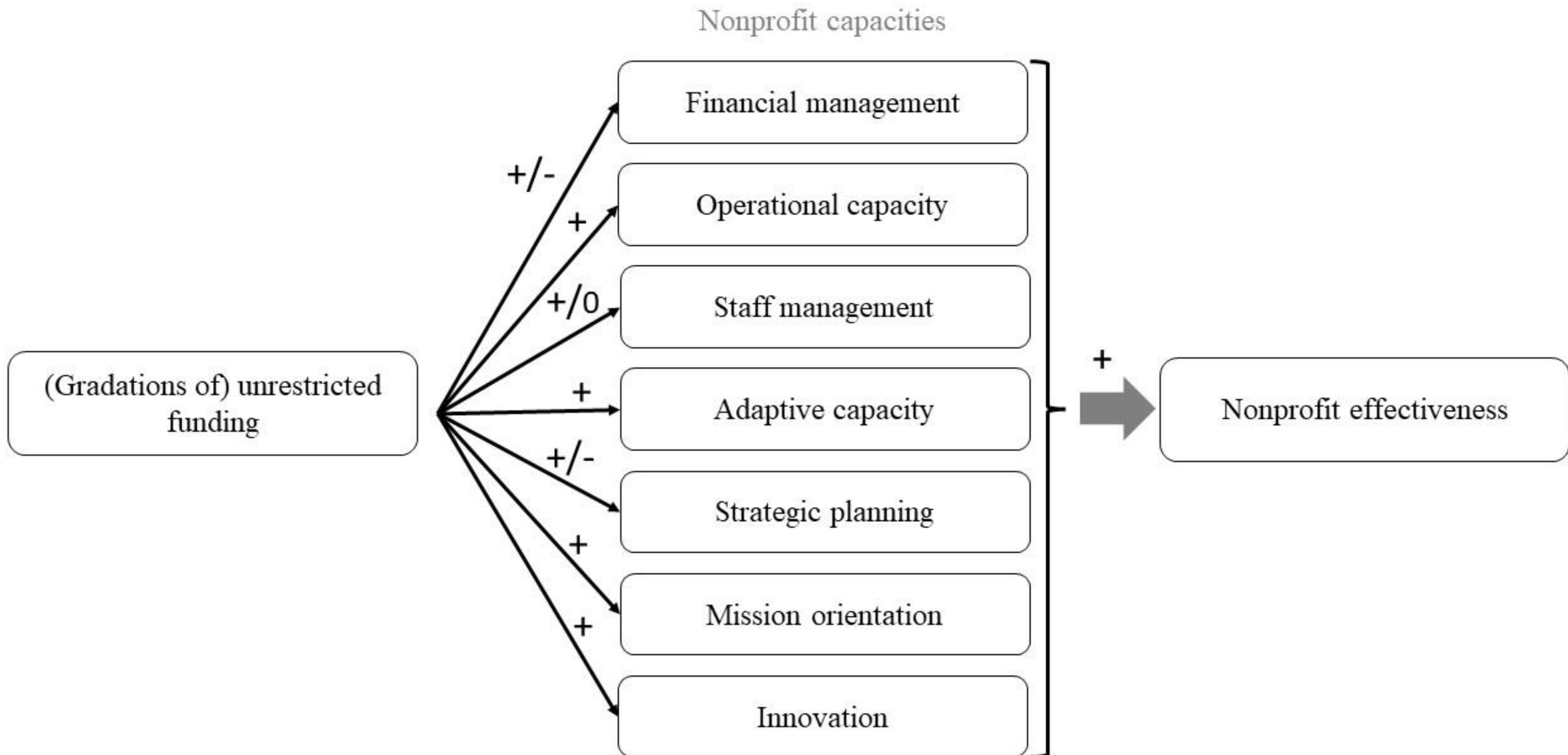


PAPER:

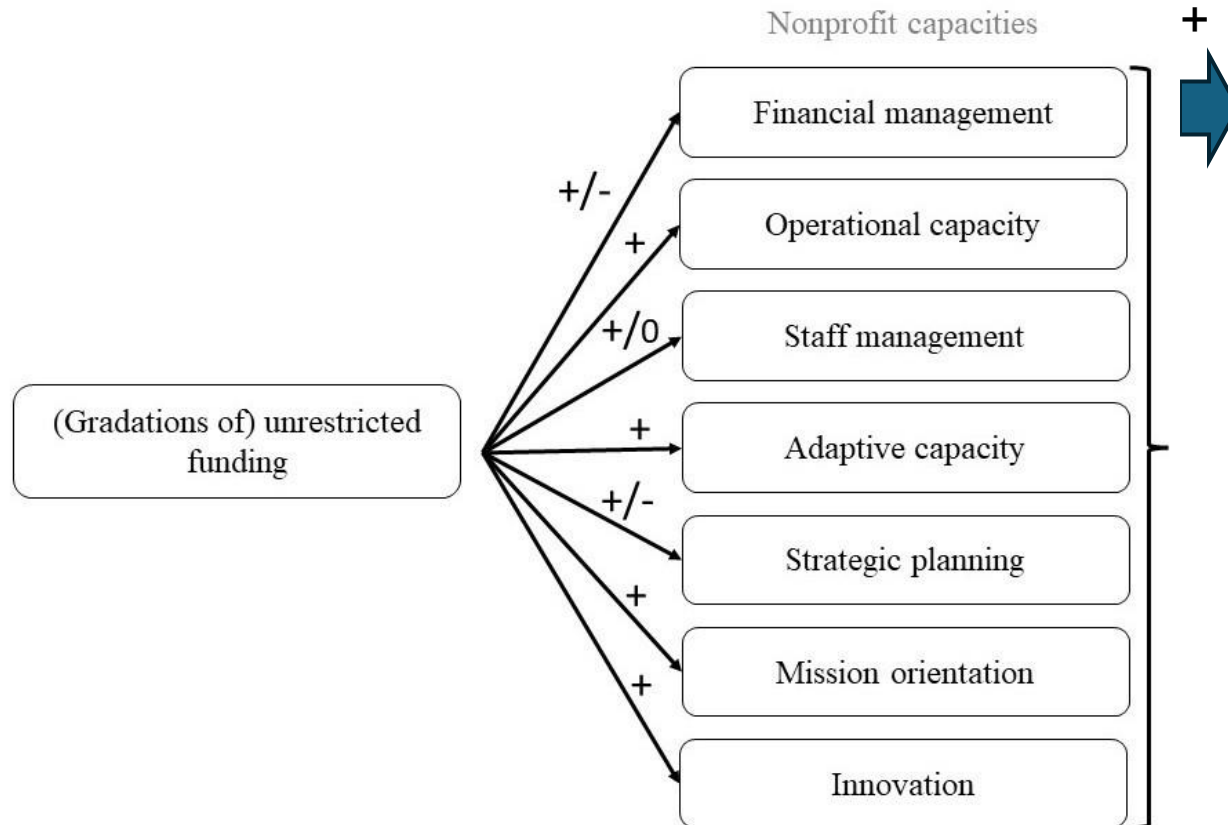
Wiepking, P., & De Wit, A. (2023). Unrestricted funding and nonprofit capacities: Developing a conceptual model. *Nonprofit Management & Leadership*.

<https://doi.org/10.1002/nml.21592>

# CONCEPTUAL MODEL

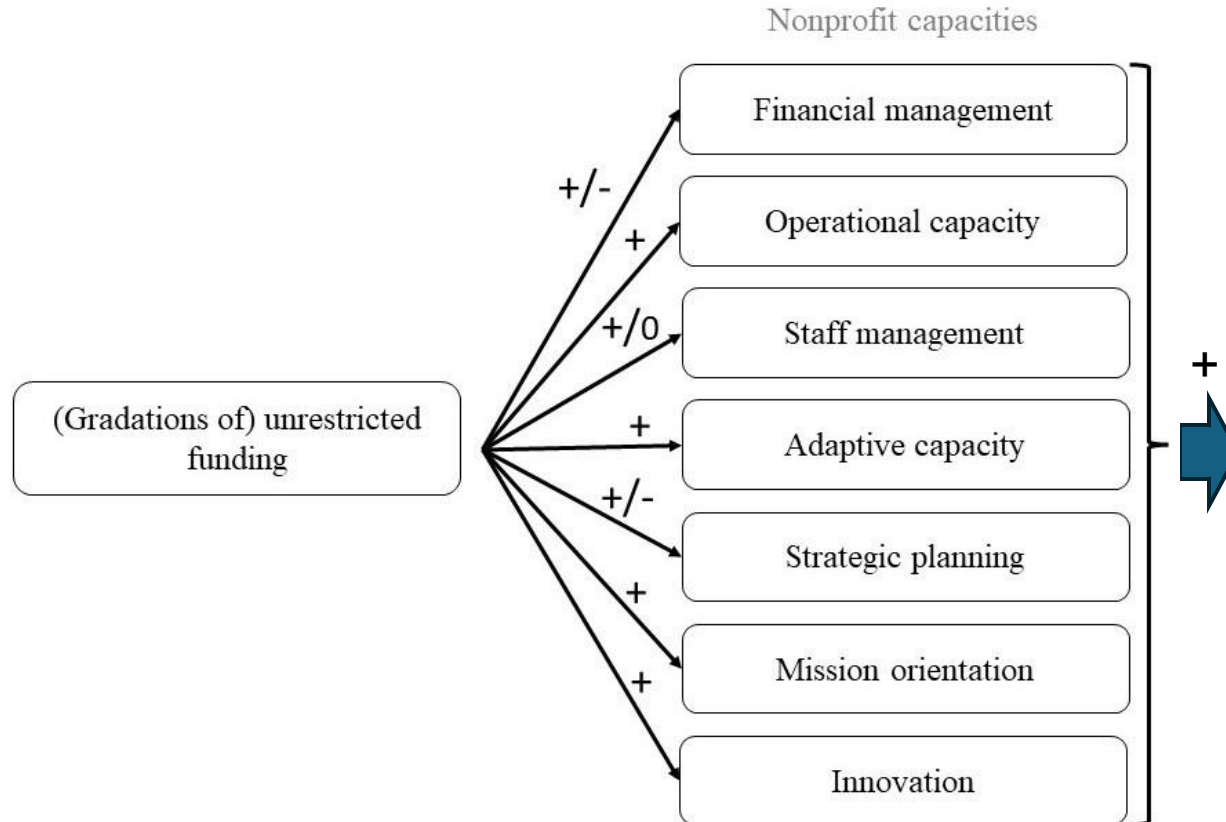


# FINANCIAL MANAGEMENT



The most obvious one is that of financial management. With freely disposable funding, organizations can finance their overhead, bridge gaps between projects, and build financial reserves.

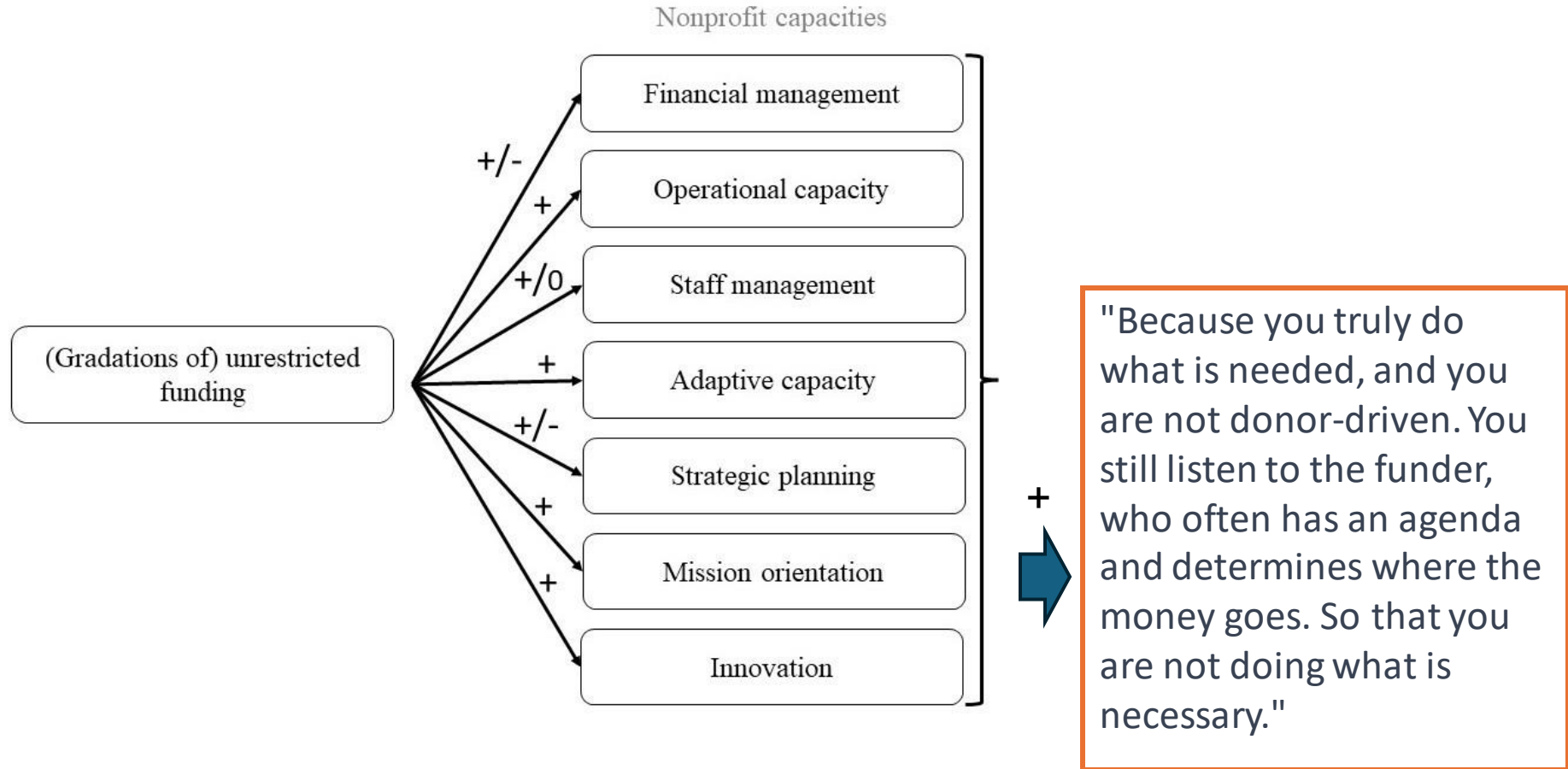
# ADAPTIVE CAPACITY



"[...] unrestricted funding gives you so much freedom and flexibility. We are a very fast, adaptive organization that continuously responds to the sentiment, changes in society and politics, and opportunities like Corona and the momentum that presents itself. If we always had to apply for that and then deliver everything exactly as we had requested... If we have to apply for everything, we cannot do our work."



# MISSION ORIENTATION



# KEY IMPLICATIONS

For funders:

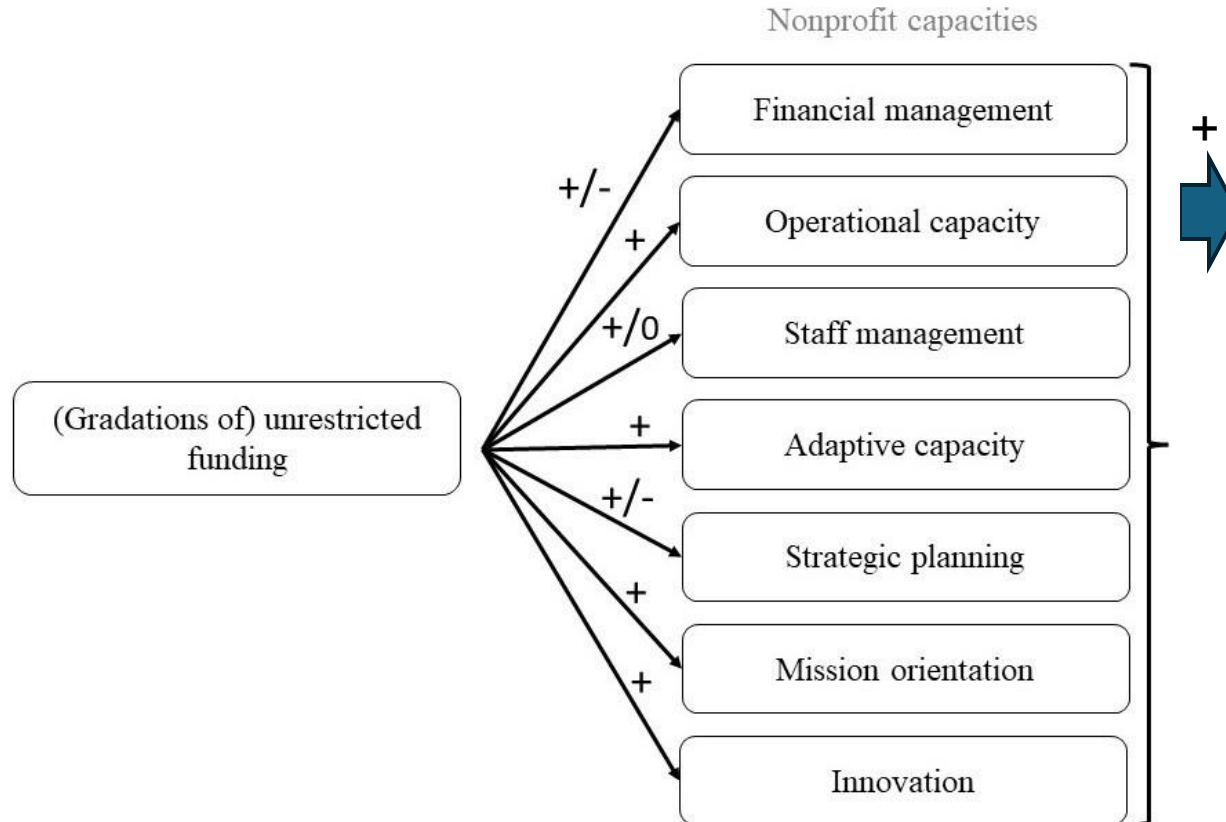
- Think about **aligning your funding strategy** with your mission and/or theory of change
- Remain aware of **power differences**. Take (lots of) time to build collaborative relationships

For grantees:

- Think about **revenue diversification** not only in terms of types of funding sources but also in terms of restrictiveness of funding

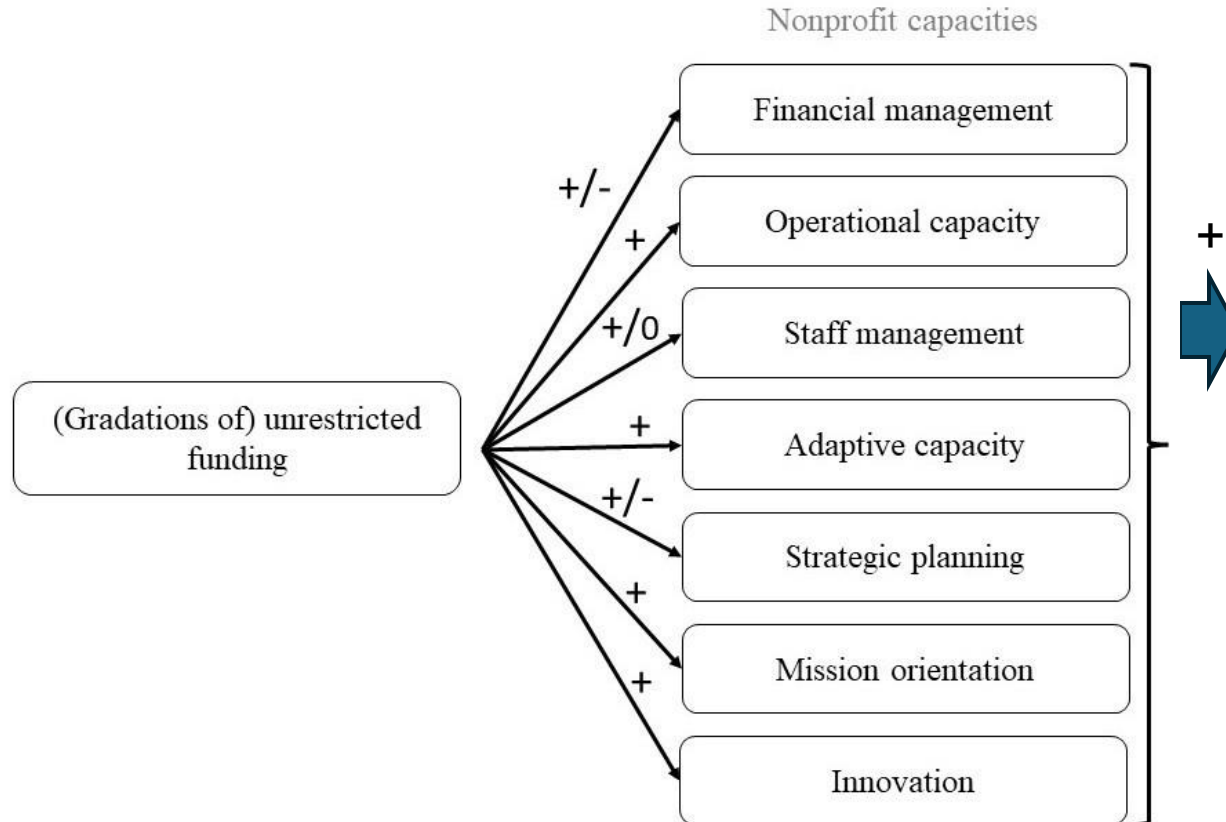
Other nonprofit  
capacities

# OPERATIONAL CAPACITY



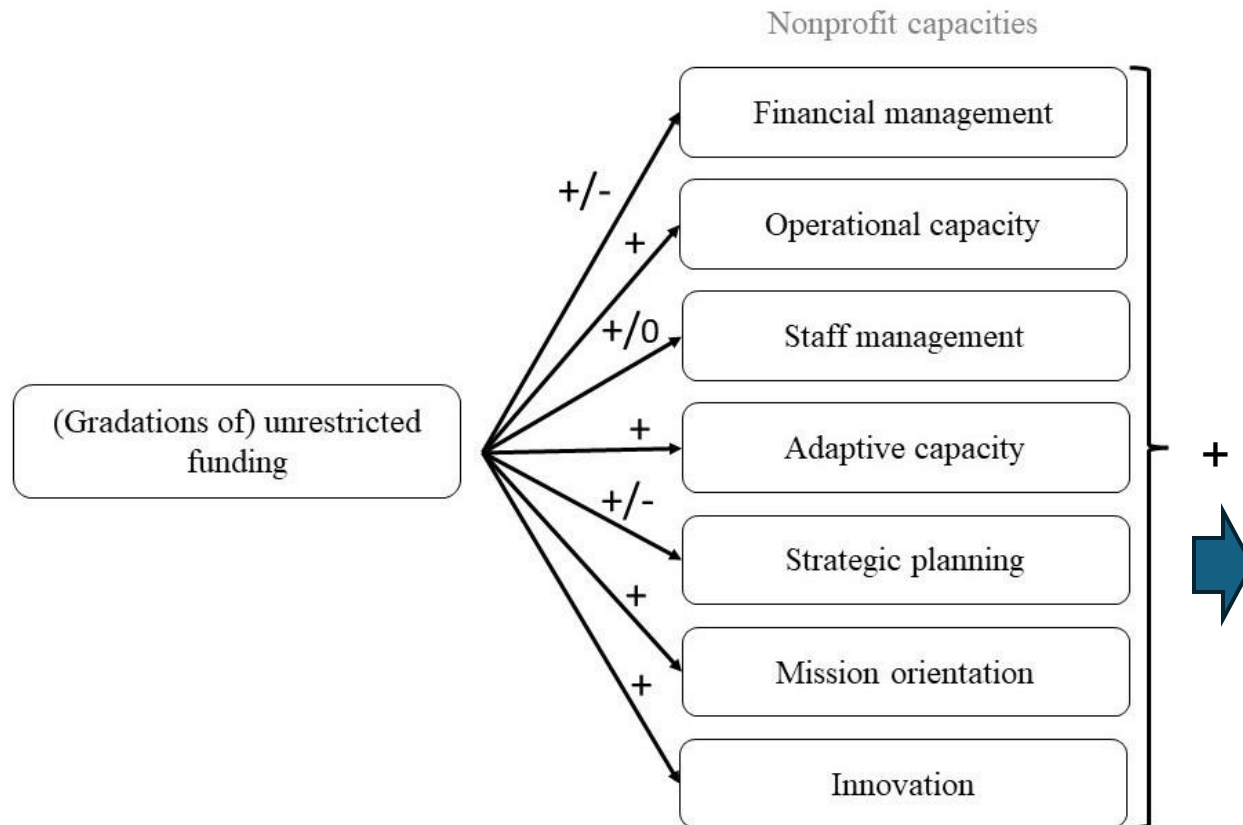
"Then you have someone with you for three years, and at some point, they have to leave when the project is finished [...] even though they have built up a lot of knowledge. If you have no unrestricted funds at all [...] well... then you become a sort of lobbying club on communication without really having the expertise in-house. But that is precisely our strength."

# STAFF MANAGEMENT



"Yeah... those are things we all do, training and education, but I don't know if that necessarily comes from the money from the National Postcode Lottery. I don't know. If it wasn't there, I don't think we would stop facilitating training or something like that."

# STRATEGIC PLANNING

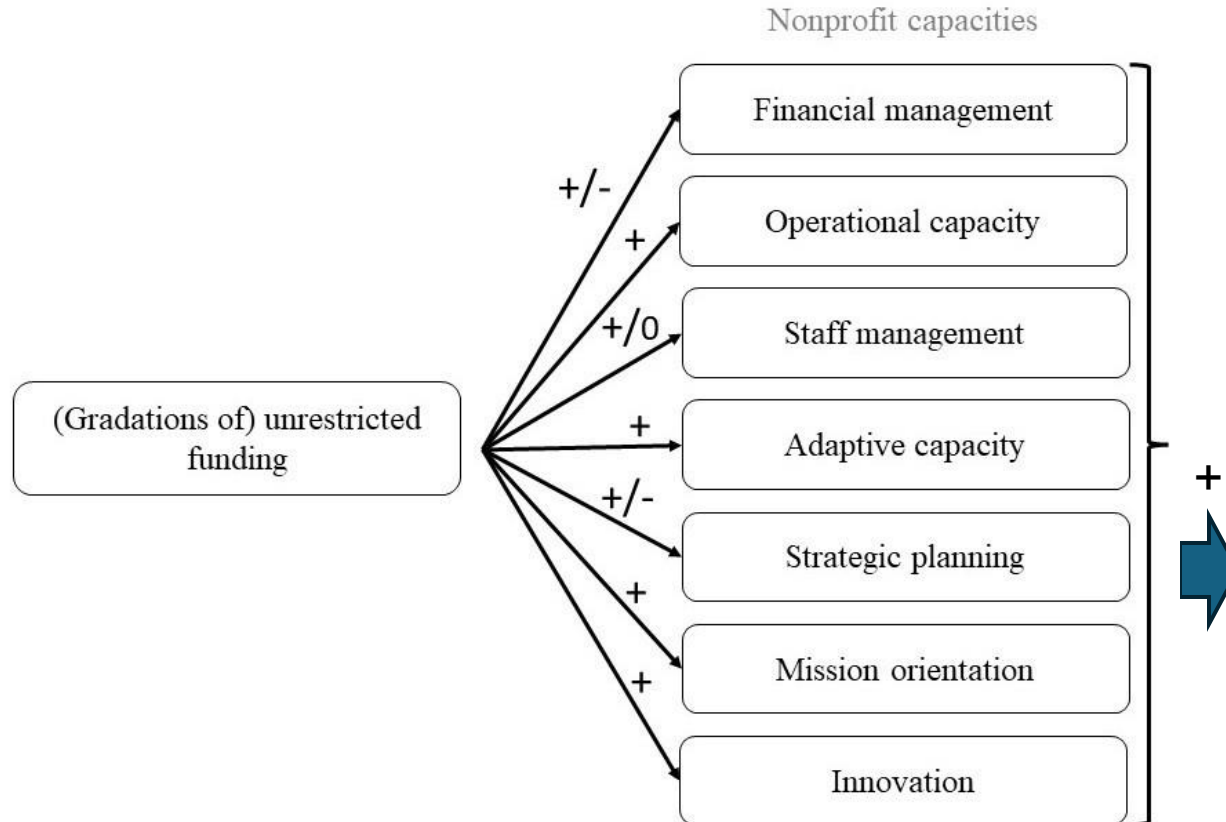


"For lobbying, we can't apply for funding anywhere. People think, 'We're not going to give money for that.'"

[Interviewer:] "That's something that doesn't directly contribute to the goal."

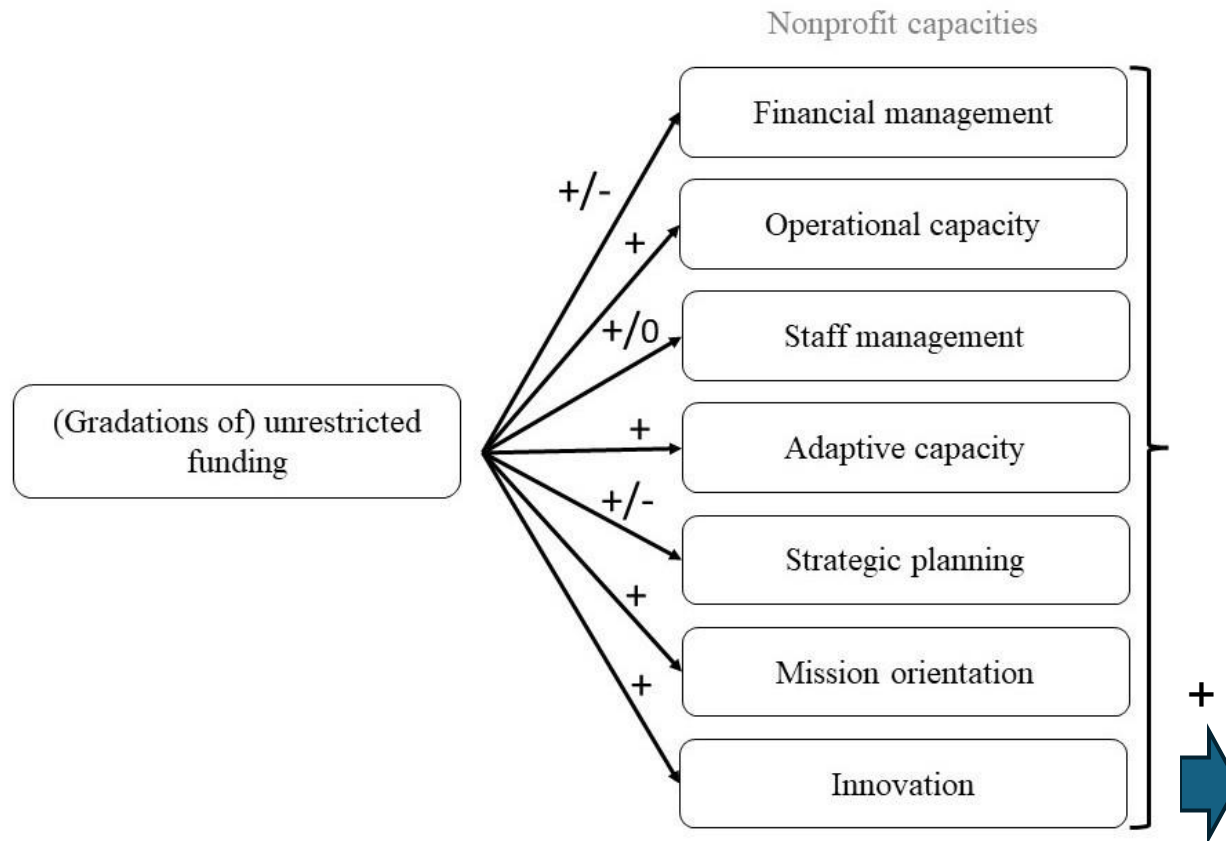
"Actually, it does, but it's not a project with a clear beginning and end where you can say, 'This has so much... you can't really measure the impact very well.'"

# STRATEGIC PLANNING



"If I'm honest, I think that if we have earmarked funding, [...] we learn to be critical ourselves about what we actually achieve in this project, if only because the funder asks for it [...]. I think unconsciously the charity might handle projects a bit more easily [in the case of unrestricted funding]."

# INNOVATION



"There are certain innovations that we believe in a lot, and for the proof of concept, we can still get funding [...]. But for the implementation phase and ultimately for lobbying, it is difficult to obtain structural funding. You will first have to come up with good results. We can partly finance that initial effort with [funding from the GDL]. In other words, we have been able to sustain the existence of certain initiatives in this way."



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<http://www.grantmakingresearch.nl>