



DONOR FUNDING TO NETWORKS: DONOR CASE STUDY G

This case study is one of nine capturing the experience and insights from a diverse set of donors about how they fund networks. It is part of an in-depth research project undertaken by Collective Mind to help both donors and networks to improve funding to and fundraising for networks.

All case studies were developed by the respondents using a provided template and have been anonymized to allow us to share them publicly. Other research products – including nine case studies of networks and a "how to" guide for network funding and fundraising – are also available at www.collectivemindglobal.org.

Each donor case study provides insights on:

- [The donor's funding strategy](#)
- [The donor's operational approach to funding/grantee management](#)
- [The challenges and reflections of the donor](#)

DONOR G PROFILE

- **Donor location:** Europe
- **Geographic funding scope:** Majority focus on sub-Saharan Africa
- **Types of networks funded:** Highly leveraged impact networks that improve the operating environment for rural-impacting micro-, small and medium-sized enterprises (MSMEs) in sub-Saharan Africa
- **Types of funding provided to networks:** Grant funding; non-financial support
- **Percentage of network grantees:** 60% in terms of number of entities
- **Donor's definition of networks:** Draws on David Ehrlichman of Converge's definition: "Networks are webs of relationships connecting people or things"



ORGANIZATIONAL FUNDING STRATEGY

WHY DO YOU FUND NETWORKS?

At the highest level, we fund networks because we see them as being critical to achievement of our mission.

We work towards poverty alleviation by focusing mainly on investing in commercially-viable intermediaries that expand access to finance, technical assistance, and skilled human resources to micro-, small, and medium-sized enterprises (MSMEs). The idea is that improving access to these inputs for MSMEs will provide more and better income-generating opportunities at varying levels.

We have realized over the years, beginning with reflections of being part of networks ourselves, that if we are going to maximize the impact of our support it isn't enough to focus solely on the businesses we are directly investing in, but rather we need to zoom out and look at how we could support the broader business ecosystems they are operating within. We saw by widening our lens that many barriers to impact could be supported through networks providing space and opportunity for peer support, coordination of existing efforts, and collaboration to work on issues such as contextual market challenges or new initiatives.

We also recognize that the intermediaries we support directly, the MSMEs they in turn support, and the employment those support, are all part of a larger system which includes one another and so much more – governments, economies, environment, legislation, education, etc.

Multi-stakeholder impact networks that include representatives from different parts of a system but have a shared interest can work together to do things like identify bottlenecks, find solutions, and avoid duplication of efforts – all outcomes that directly or indirectly support the initiatives we partner with.

We fund impact networks because we see them as fundamental to achieving greater impact in the spaces we support, taking a holistic view that says no one approach is the correct way, and stakeholders working together can best inform how to overcome shared issues for that thriving business ecosystem we envision across sub-Saharan Africa (SSA).

WHAT TYPES OF FUNDING DO YOU PROVIDE TO NETWORKS?

We provide grant funding to networks – this is antithetical to our typical investment thesis, which is based on the premise that potential for commercial viability is necessary for ventures to have lasting, scalable impact.

Networks are, however, a different animal, and what we have seen from our work with networks in SSA is that they are mostly all reliant on some form of grant funding in order to



stay viable. We provide these grant funds for core network functions rather than funding projects. The funding is tied to pre-agreed milestones that we see as being relevant and necessary to network effectiveness – such as gatherings, developing impact measurement systems, and knowledge management.

HOW DO YOU SELECT THE NETWORKS THAT YOU FUND?

We look for highly leveraged, mission aligned networks that improve the operating environment for rural-impacting MSMEs in SSA. We draw on David Ehrlichman of Converge’s work that distinguishes between social, learning, and action networks, and we prioritize networks that have the ambition to act or move to collaborative action over time.

We have identified some of our networks in ways similar to how we identify our other partners - we come across them at conferences, through other partners, etc.

However, not finding networks as readily as the other kinds of organizations we work with but knowing they existed, we turned to our network support partner to help us seek them out. We engaged them for action research to identify locally-led, multi-stakeholder membership networks in East Africa, working with a handful that were mission-aligned to us to explore their potential and interest to adapt to a network approach.

Through this partner’s working with these networks, we began getting to know them ourselves and subsequently entered into funding relationships with several of them. We engaged in similar action research in West Africa following completion of their East Africa research.

Our selection is based on the following support criteria, as well as our estimation of potential and willingness to take up a network approach.

- Compatibility with our strategy
- Effectiveness of impact on extreme poverty
- Sustainability of impact
- Scalability of impact
- High leverage point in ecosystem
- Additionality of our support
- Our capacity to support effectively
- Degree of local involvement

In terms of vetting and decision-making, our networks go through the same rigorous due diligence and proposal process as our other investments, with an essentially redacted commercial viability focus and the addition of our internally-developed networks assessment framework. We talk to stakeholders including members and Board members, and analyze areas including their business model, finances, risk, additionality, and impact potential. The initial proposal is put forth for input from the entire team, and we have a decision-making matrix for approval based on the ticket size. A second proposal featuring further information is put forth if the first one is successful, and a third to our Board if the amount is over a certain threshold.



ORGANIZATIONAL FUNDING MANAGEMENT

HOW DO YOU OVERSEE THE USE OF YOUR FUNDS?

Each network we fund has an assigned relationship manager. Together with the main point of contact for the grant, the elements and cadence of reporting is agreed.

While the funds are allocated to core network functions rather than programmes, this distinction is not always clean (for instance, we might fund a network that exists within an organization. We would ask for a general overview of the network-related work and regular updates on other work the network is engaging in so that we understand how a network is evolving and if we could do anything further to support it.

Periodic financial reporting on the grant would typically be expected, to ascertain how the budget allocation is going. We might ask for 1-2 slides on the budget and other updates, but would not require a written report in favor of a phone or video call with the grantee. The rationale for this is that we try as a rule to burden our partners as little as possible with reporting requirements, however of course we have to have oversight.

DO YOU CHANGE YOUR APPROACH AND PROCEDURES TO WORK WITH NETWORKS AS COMPARED WITH OTHER GRANTEES?

For the most part, we take a similar approach across our portfolio.

WHAT OUTPUTS, OUTCOMES, OR IMPACTS DO YOU REQUIRE NETWORKS TO DEMONSTRATE FOR THEIR FUNDING FROM YOU?

The outputs and outcomes are determined together between the network and foundation relationship managers and are included in the contract. These would not be pre-defined by us, but do tend to include similar elements which we see as fundamental for success in a network approach.

We see network impact as being emergent, as impacts will be dependent on what areas the network collectively chooses to focus on and collaborations as yet unseen. We can point to the general impact we believe will happen based on the shared interest/issues that brought together the network in the first place, but this would not be defined enough to include as part of a contract or of our relationship. We also know that network outcomes and impacts can take years to come to fruition.

We have developed a network evaluation framework and toolkit which we share with our network partners and generally include in their contract milestones that they attempt using the suggested tools (where a tool would be considered appropriate, sometimes it isn't) and report their learnings. Their learnings might be that a given tool didn't work for them. We provide technical support for this.



The framework includes tools for tracking network health, collaborative activity between members, administrative data such as gatherings and meetings between gatherings, and social network analysis.

Other milestones we might include for our network partners include development of business/financial/operational plans (this would be supported by us through a partner) or communications and knowledge management development.

WHAT DO YOU SEE AS YOUR ORGANIZATION'S ROLE WITHIN THE NETWORKS YOU FUND?

We provide additional non-financial support through our partners, in many cases to support transition from functioning more as an organization to operating as a network; in some cases to the catalyzation of new networks.

We supported our network thought partner in the development of a network leadership series to support the network coordinators we were coming across (networks we were working with already and those we saw potential for a relationship with) in their network development.

In tandem, we have been providing the networks we fund with one-to-one advisory/coaching, provided by our network consulting partners, to develop their network thinking, strategy, business model, etc. We also provide support for network evaluation, including for social network analysis, participant surveys, and providing templates for and feedback on administrative and collaborative activity trackers.

We provide our insights into what might be needed for the network receiving these supports to thrive and (somewhat loosely) monitor the relationship from both ends. There are networks we play a deeper advisory role on ourselves as well. We also hold membership in some of the networks we fund.

We are still exploring other roles we can play in networks, and think what will suit will likely vary based on the network itself. It would be safe to say that our influence is present on the networks we are funding at this point in terms of the network approach we adhere to, our impact measurement framework, and our non-financial support offerings.



DONOR REFLECTIONS

WHAT ARE THE TYPICAL CHALLENGES YOU ENCOUNTER IN FUNDING NETWORKS?

Funding networks presents many challenges, maybe the most obvious of which is the lack of predetermined outcomes and impact. Our view is that networks need core funding to create space for emergence, but we still have to consider our investment process, including risk, so there is a balancing act.

Longer-term core funding would be the most likely to show the results of that emergence, but we sometimes consider a shorter grant to get to know a new partner.

Integral to the funding networks challenge is the fact that there are so few funders of African impact networks to support the need.

Common challenges faced by the networks themselves are: financial sustainability; showing value proposition to members and other stakeholders (potential funders, for instance); the difficulty in transitioning to a network approach, both internally and in bringing others along; the huge amount of “invisible work” on the part of the network coordinator (such as engaging people outside convenings, collecting administrative data, network weaving); and then the challenges around building an effective network such as building trust and a shared vision.

WHAT INFLUENCE DO YOU HAVE WITHIN THE NETWORK?

We would say that we unintentionally influence as there is obviously a power dynamic between funder and grantee, and we are seeking a certain alignment to the network approach which we are hoping to bring our partners across to for network effectiveness and impact.

WHAT LESSONS HAVE YOU LEARNED FROM WORKING WITH NETWORKS?

There is a huge amount of cross-learning that comes from working with networks, and we don't anticipate this changing. As our partners like to say “if you've seen one network, you've seen one network”.



HAVE YOU INTEGRATED THESE LESSONS INTO YOUR ORGANIZATION'S STRATEGY AND/OR OPERATIONS?

We seek to continually integrate learning, and in addition every few years we conduct a strategy refresh to ensure that we are capturing our best current thinking and learning. We have just completed a strategy refresh in 2021 and shared our learning from this process in 2022.

HOW WOULD YOU CHANGE THE WAYS IN WHICH YOU FUND NETWORKS?

It would be easier to fund networks if there was a wider shared understanding of what a collaborative network is and why they are effective. More captured outcomes/impact to demonstrate the model would also be helpful, whether that's through our network framework, storytelling, or another method.

IN YOUR VIEW, HOW CAN DONORS BE MOST SUPPORTIVE TO NETWORKS? HOW CAN NETWORKS BE MOST RESPONSIVE TO DONORS?

We believe that donors can be most supportive to networks through providing core grant funding to support network activities, rather than programme or project funding. Multi-year funding enables networks to plan and hold onto staff. Filling in any funding gaps helps networks to breathe and work on the network rather than scrambling to stay afloat. We also believe it is best to be as open to emergence as possible in terms of reporting requirements, again to enable the network to focus on their own work as it develops.

As funders, what we want to continue to learn from networks themselves about what they need to be effectively supported.