GUIDE TO DONOR FUNDING TO NETWORKS



This guide is the product of a participatory, multi-phase research project that <u>Collective Mind</u> undertook from 2021-2023. The project engaged both networks and donors to better understand donor support to networks. The purpose of the project was to shed light on the "what", "why", and "how" of donor funding for networks. In so doing, it seeks to improve donors' funding approaches with networks and to inform networks' fundraising approaches.

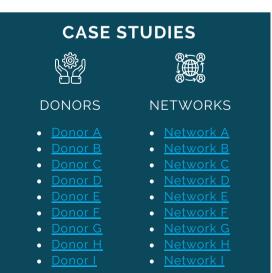
HOW WE DEVELOPED THIS RESEARCH

We began this research project in mid-2021, first undertaking a literature review for background and then collecting responses through an online survey designed to inform the direction of the research. (You can view our initial findings <u>here</u>.) Based on the initial findings, we decided to develop case studies as a means for capturing extensive in-depth qualitative data. We developed detailed questions and templates to capture responses and undertook outreach to recruit a diverse set of donor and network volunteers.

We ultimately received nine case studies for donors and nine for networks, for a total of 18 in-depth case studies.

The <u>donor case studies</u> capture the experience and insights about how donors fund networks including a) the donor's funding strategy, b) the donor's operational approach to funding/grantee management, and c) the challenges and reflections of the donor.

The <u>network case studies</u> capture the experience and insights about how networks mobilize and manage funds including a) the network's funding needs and sources, b) how the network's funding needs are met, c) the network's relationships with their donors, and d) the challenges and reflections of the network.



The case studies were drafted in 2021 and 2022 and therefore represent a snapshot in time. They are the words of the respondents with only minimal editing for anonymization to be shared publicly (with their explicit permission).

This guide is a product of the synthesized case studies. We have stayed true to the responses provided in the case studies rather than extrapolating our own views and opinions. We structured our research findings as a guide versus a report in order to put donor and network responses into the context of key challenges that case study respondents – and likely other networks and donors – grapple with as it relates to network-specific funding.

WHY THIS GUIDE IS IMPORTANT

In our work with networks, we consistently and regularly hear about the challenges of funding networks, both from donors and networks. In our own search for resources about how to fund and fundraise for networks, we came up with only minimal references, the majority of which were anecdotal and not evidence-based.

This guide is meant to help fill those gaps. We hope that it will both directly support networks and donors in their efforts and help to bring them closer together in understanding how collaboration can be rewarding and increase impact for both sides.

We further recognize that the case studies are a trove of insights that we have only begun to uncover with this guide. We strongly encourage others to develop their own ideas and research products from the case studies. If you do so, we hope that you will please <u>share them with us</u> so we can post them on our website and share them with our community.

What we mean by "networks"

Each respondent was asked to share their definition of networks. We learned that there was not one shared definition of "network" across them but there are commonalities: networks are composed of diverse, like-minded stakeholders in relationships with one another working towards a common purpose or goal. There are varying degrees of formality among networks but intentionality is constant, as is facilitated collaboration.

Collective Mind's own <u>working</u>. <u>definition of networks</u> is that they are organizing models that integrate participants who have common interests and work together to achieve shared goals.

HOW TO USE THIS GUIDE

The ideas and guidance elaborated in this guide are the product of the compiled and synthesized inputs from the case studies. It is organized into sections specific to networks, specific to donors, and relevant to both.

The sections are intertwined – you will likely want to refer to other sections to deepen your understanding as you go. We highly recommend reading the guide in full, regardless of whether you are a network or a donor. There is potential insight to be gained from seeing the other's perspective. Likewise, there are a number of cross-inferences that can be made.

GUIDE SECTIONS

- Why fund networks
- How to understand network funding needs
- How to fundraise for a network
- <u>How to manage donor funding</u>
- How to best approach network funding
- <u>How to provide funding to networks</u>
- How to monitor and measure success

WHO WE WANT TO THANK

We are grateful to the case study respondents who gave their time and energy to share their valuable knowledge and experiences. Their willingness and enthusiasm to help us see this project through and share their honest reflections is part of what makes the field of network practice so vibrant and meaningful.

Kerstin Tebbe, Collective Mind's founder, led the research project and drafted this guide. Seema Patel, Senior Advisor at Collective Mind, provided extensive support. Other Collective Mind colleagues provided support at different points including Emily Goodman, Myriam Marcuello, and Pedro Portela.



Funding networks may not be well-matched for all donors. It's the right approach for those donors that seek certain types of impacts through their investments and ideally, should be paired with a strong and intentional understanding of how networks operate and create change.

Networks create value for and through their members.

One great strength of a network approach is the ability to harness and support the network's membership – through, for example, capacity building, knowledge, connections, and access to resources. Networks build collaboration between members or support partnerships at different levels (e.g., local, regional, national) with the explicit goal of benefitting members and achieving more collective impact. Funding networks ultimately means supporting the individuals or organizations that are part of that network. These members may then be positioned to achieve greater outcomes in their communities or with their direct beneficiaries.

Networks create collaborative capacity.

Direct support to members separately is coupled with cross-member support in the sense of collaborative capacity. Networks are often conveners and field builders, serving as a vital organizing tool that facilitates knowledge sharing, establishes and maintains the field infrastructure, and creates economies of scale. They are the structures through which collaboration between individuals and/or organizations can happen by fostering common visions, common strategies, and coordinated positions.

Networks operate and create impact at a systems level.

Networks are the right response when the challenges faced are increasingly complex and responding to them requires cutting across issues and borders. Networks can achieve what individuals and/or singular organizations by themselves or separately cannot. Through their members and collaborative activities, networks promote systems thinking and therefore provide greater insight into system dynamics – including better understanding of how interventions such as funding would be best placed. Given the diverse members they encompass, networks are strategically positioned to shift, influence, or leverage these dynamics. They devise multi-pronged approaches, create opportunities to organize around advocacy or policy issues across relevant actors, build ecosystems for innovation, generate connections that might not have otherwise existed, and forward agendas. At their best, they are able to reach and elevate more marginalized voices and cultivate agency among the traditionally disempowered – key elements of a healthy, transformed system. Strengthening relationships and collaboration within the system seeds longer-term capacity and ensures an outsized reach compared to what any singular organization could achieve.

HOW TO UNDERSTAND NETWORK FUNDING NEEDS

Networks are highly diverse and each one is distinct. At the same time, there are common experiences that crosscut many, if not all networks. These commonalities result in some similar needs across networks that can help donors (and networks) understand if, and how best to, provide support to networks.

Be prepared to invest in process.

Networks are oriented towards long-term processes. Networks are capable of systems change, but this requires building relationships and collaboration. Collaboration as a concept is enticing; in practice, donors may struggle with the reality of working with networks that focus on process over outputs and require extended time periods to see change. Networks are process-oriented whereas donors may be results-oriented; donors often desire clear, tangible returns on investment whereas the outcomes and impacts of networks are often hard to quantify. Networks must focus on relationship-building rather than performance management frameworks, the implications of which impact the budgets required (e.g., which may focus primarily on staff time) and the outputs achieved (i.e., that there may be few, if any, tangible outputs or outcomes). Likewise, fostering relationships and collaboration for systems change requires consistency of efforts over the long haul which necessitates long-term investments of time and money. If a donor is used to funding frontline-serving organizations, it may be difficult to adapt their mindset and approach to operating within the very different context of networks.

Network infrastructure is critical.

Given the ways in which networks create change, stewardship and collaborative infrastructure is critical and requires ongoing investment. A more traditional approach to giving focuses on outputs whereas, in the context of networks, collaborative capacity is what's necessary to scale work and achieve greater outcomes and impacts. Donors should focus their funding on building collaborative capacity in terms of the skills and infrastructure needed within the network. This also means sustained funding for stewardship, which typically requires funding the people who will facilitate and coordinate the network. Donors should recognize that networks require skilled organizers and managers. Enabling and engaging effectively with the network's management is also crucial to supporting the network.

Ensure inclusive spaces.

Fostering relationships and collaboration within networks is also about ensuring inclusive spaces. This relates to how networks are managed as well as who is engaged in the space as members. Donors should avoid being directive or prescriptive about who could be a part of the network: networks that match the complexity of the issue they're trying to solve with the diversity of their membership are more likely to create change. If the

network aspires to extend to new members, this is typically something to support where it is aligned with the network's shared purpose. They should also trust that the network's vision represents the views and aspirations of the membership, not just exclusive organizations or the network manager(s) (or intermediary). Concerns about this can and should be voiced and discussed with the network.

Focus on ongoing support.

Finally, recognize the challenges inherent to defining the scope of work for grants to networks. The nature of networks lends itself to ongoing support, not time-bound or deliverable-based projects. The work of networks is emergent, and networks will likely struggle to anticipate the network's directions within a dynamic environment that evolves quickly. If funding parameters are inflexible, the scope for ensuring strategies and plans are collaborative within the network is reduced. Where possible, consider how to support the network's goals rather than defining outputs or outcomes too strictly.



A network's funding needs are as variable as networks themselves. For those networks that require donor funding to survive and grow, the capacity that they have to fundraise is often limited. That capacity also typically depends on their existing funding in terms of organizational elements like staff time as well as relationships with donors.

It becomes important for networks approaching fundraising to consider both the basics the processes and infrastructure - and the bigger picture context of their efforts.

<u>The basics</u>

Fundraising requires organizing roles and responsibilities.

Networks must clarify and articulate the roles and responsibilities of different actors within the network in support of fundraising. For networks with **staff**, different roles or activities may be assigned to staff members. For example, a senior manager or executive director may be charged with all fundraising responsibilities, other staff may manage donor relationships and seek funding for their areas of work, and/or specific staff may be responsible for proposal writing. Networks may be able to establish a role for a dedicated fundraiser in the team or find an advisor with connections to donors or other fundraising experience to support them.

Beyond staff, the roles and responsibilities of **governing body members and/or members at large** within the network should be considered and organized to support fundraising. These members may, for example, establish a fundraising committee, bring in connections, develop ideas, work on proposals, and more.

Whoever is responsible for fundraising, or participating in fundraising efforts, must be provided with the information they need to do so effectively. This may include sharing financial or programmatic details to inform ideation for proposals, budget development, and interactions with prospective donors.

Fundraising requires tools.

Networks can develop or put tools in place to support fundraising efforts such as:

- a business plan that describes the network's core activities and how it plans to achieve its goals;
- a donor mapping to identify who is out there that might be interested in and willing to fund the network;
- a fundraising strategy including a regular (e.g., quarterly) fundraising pipeline review;
- procedures for screening opportunities and making decisions such as a "go-no go" process; and
- monitoring, evaluation, and learning (MEL) systems to be able to make the case for the network's ability to create impact.

There could also be value in connecting with other networks to compare strategies and opportunities.

Consider your operational setup.

A network should also **consider its operational setup in terms of** whether the network is itself a registered legal entity that can receive funds or if it may need to work through another organization as a host or fiscal sponsor that can channel funds and hold fiduciary responsibility. Donors often have limitations about what types of organizations they are legally able to fund based on the registration of those organizations. According to one donor:

"Primarily the challenges we face with funding networks are a result of IRS restrictions based on our private foundation status. The requirement to fund through 501c3 organizations or equivalent entities means that we often are pushed towards working through more formal organizations that may not best represent the needs of a network. While there are workaround solutions to this, some of which we utilize, the reality is that the structure of the system is ultimately biased towards traditional organizational models."

Working through **an intermediary, such as a host or fiscal sponsor**, can have advantages and, conversely, can further complicate arrangements. For example, having a network hosted by another organization may open up some doors to donors but can also complicate conversations about who is receiving the funding (for example, where there may be confusion about whether the donor is funding the network or the host).

As networks fundraise, they must consider funding flows and be prepared for gaps.

Obviously, disruptions in funding are destabilizing especially when the ramifications are serious, such as the loss of staff due to a lack of funds or the instability of funding that motivates them to move on. To the extent possible, networks should consider how to time fundraising efforts to avoid funding gaps as much as possible. Also, be aware that with many grants, time will elapse between invoicing and receiving payment, which can make cash flows challenging to manage. Also, it's important to be open and transparent with any existing funders about related needs and challenges to try to address them if/as possible.

Fundraising is all about managing relationships.

As mentioned above, funding often depends on existing funding, which includes effectively viewing and managing donor relationships as both current and potential future funders. Fundraising is about focusing on relationship-building and staying engaged with and supportive of funders. Such relationship management can require a lot of capacity, especially where a network is managing many funding relationships. A network should consider strategies for organizing its internal capacity to ensure this function such as having "account managers" and engagement plans in place for each donor.

The bigger picture

Fundraising for a network can be an uphill battle.

Funding opportunities typically have specifications.

First off, be aware of the challenges based on **what donors typically will or will not fund** (and what they can or cannot fund). For example, not all – and perhaps not many – donors can fund network overheads, which makes it challenging to cover administrative or indirect costs. Likewise, donors often will not or cannot provide unrestricted core funding that covers the organizational and administrative costs of the network. The reasons for this vary, including that donors' internal systems and requirements might make it impossible. Networks should focus on clarifying with donors upfront to understand what they are able and willing to do – and to build the trust that might increase a donor's willingness to give (semi-)unrestricted funding.

Funding opportunities require introductions or connections - and alignment.

It's also important to be prepared for **how difficult it can be to find donors.** Donors don't always (or even often) have open calls or request for proposal (RFP) processes. Grantmaking may be by invitation only, with program staff using their professional contacts and experiences to identify potential grantees, or working through historical or current partnerships or grantees. Donors may undertake landscape analysis or scouting processes to understand prospective grantees. The limitations of proactive donor identification are clear in this donor's statement:

"Sometimes, we are introduced to network leaders by our current grantees or other partners or through our professional networks (practitioner convenings, listservs, etc.). Sometimes, people reach out to us to solicit grants. We don't put out RFPs and typically don't accept unsolicited grant proposals, but if people reach out to us to tell us about their work and learn about ours then that's just building relationships and there's no reason for that to not lead a to a grant award down the line if there's alignment. I say that but I also don't have any recollection of having awarded grants to networks or organizations that had reached out to us 'cold'."

As described by one of the networks, breaking into a new donor opportunity often feels next to impossible. As noted by another:

"I like the idea of an invitation to submit once a relationship has been built, but for many, I probably never get the connection I need to begin developing a relationship."

These limitations can mean that most grants come from existing donors as diversifying is too hard. While opportunities to get in front of a new donor may be limited, it helps to have a pitch ready with a clear understanding of the need and how the network creates impact should such an opportunity arise. As the network works to establish contact with donors, consider how a grant opportunity might develop. Donors typically think about the strategic and values alignment between their organization and the networks they will fund, as well as geographic and thematic relevance. The donor may be considering how the grant would align with the portfolio of grantees it already has. In some cases, donors may follow eligibility requirements and selection guidelines; in others, grant opportunities may be emergent or even co-designed with grantees. Be able to recognize when there is not a match: donors that are used to funding frontline serving organizations or do not value ecosystem development or field building are likely not the right fit for a network.

Setting the scope of work for grants can be hard to do.

As the network is building relationships with potential donors, be aware of the **challenges of defining the scope of work** for grants to networks. The network will want to make project plans collaborative and will likely have to project out within a dynamic environment that emerges and evolves. A network must find the right fit of projects to support its goals rather than to satisfy budget needs. The network will also have to grapple with the need to clarify the hard-to-quantify, long-term nature of networks. Network budgets are typically primarily staffing costs rather than the production of tangible outputs and the more intangible outcomes and impacts of network activities are difficult to showcase.

Be prepared for complicated application processes.

There will likely be some sort of legal and financial review, due diligence, reference checks, and perhaps internal reviews of the network's leadership and organizational structure. Processes vary and can change over time, and applications are often not concise and clear. The level of effort required to complete an application may not match the level of funding provided. As one network noted, there can be extensive applications for small amounts of money:

"I have filled out the simplest application for the largest award I've received for our organization (\$150,000) and regularly see more complex local foundation grant applications for \$3,000 maximum awards."

Proposal processes can be demanding in terms of competition, thresholds, and contracting, often without flexibility in terms of needs and timelines. Also, grants require strong writing skills to develop a good proposal that is well presented, and language skills may be needed (e.g., in English) that are in short supply.



Donors must oversee the use of their funds and it is helpful for networks to have at least a broad understanding of how donors manage their funding. Contracts with the network (or intermediary/host/fiscal sponsor) will elaborate **specific requirements and conditions** for overseeing and monitoring the use of funds, typically through financial and programmatic reporting. These contracts may articulate clear objectives and deliverables for the use of funds as well as specifics about financial accountability and management as well as more extraneous requirements such as acknowledging the donor in publications or other outputs. There is often significant variation across grants with different types and levels of requirements.

Donor requirements

Donor requirements are variable.

Some grant management requirements may be fulfilled during the grantmaking process, such as reviewing organizational finances prior to grant approval to ensure the grantee has the capacity to manage and report on funds. **Reporting, both financial and programmatic**, seems most typically structured as annual reporting for multi-year grants and final reporting for one-year grants. With some grants and under some circumstances, such as shifting contexts or particular challenges, more regular reporting may be required (e.g., biannual or quarterly). More regular reporting may be necessary too, for example, where a donor must report to its own funder. Reporting will be both financial, in terms of spending, and programmatic – and programmatic reporting can be challenging for networks. As one donor described it:

"While the funds are allocated to core network functions rather than programs, 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."

Non-financial reporting typically focuses on sharing progress and evaluating impact. **The substance of reports** may focus on a set of key questions or specific areas such as challenges, lessons learned, and impact. Donors may ask about relationships built, advocacy activities, instances of collaboration (e.g., as identified via site visits, convenings, or WhatsApp groups), or internal network analysis.

At least some donors explicitly seek to keep reporting requirements to a minimum to reduce the burden on their grantees. This can manifest not just in the timing of reports but also the format. **Reporting formats** can vary from written to oral discussions and format is sometimes determined collaboratively with the network grantee.

Often, substance, cadence, and format for reporting will depend on the relationship with the donor.

Some donors may opt for ongoing communication via, for example, an assigned relationship manager or other key counterparts from the donor's staff for each grantee. Donor counterparts may, for example, be available for regular check-in calls or in-person meetings though these may not be required. In other cases, donor staff may have formal roles within the network, such as on working groups or committees, which deepen and expand the relationship. Donors may also work with or via external parties such as independent evaluators who support the funded networks in evaluating the collaboration within the network.

The implications for networks

The requirements and conditions of grants have internal implications for networks in terms of capacity for management and administration of funding – especially when managing multiple grants at the same time.

Necessary capacity includes (but is not limited to):

- Staff time to compile reports and manage finances.
- The skills to track finances and manage spending.
- Staffing arrangements for project management and coordination.
- Adequate, effective systems and tools to undertake specific tasks (monitoring, evaluation, and learning (MEL), accounting, fund disbursement, invoicing, reimbursements, etc.).
- Relevant policies and procedures in place to ensure effective grant management (e.g., accounting, auditing, etc.).

Large budgets and multiple sources of funding necessitate complex systems of management and accounting that require resources, staffing, information sharing, and strong leadership. For example, tracking and time management for various projects with so many mixed and matched funding sources all on different timelines can be incredibly complicated. (This is easier to handle with more flexible funding sources.) Where a network works through or with a host organization or fiscal sponsor, some of these capacities may be fulfilled by that organization.

Ensuring adequate capacity can create **an inherent contradiction** to networks and their funding: the systems and structures networks need to manage multiple funding sources well may inhibit their ability to stay agile and be adaptive. Similarly, a typical donor desire that a network diversifies to multiple donors and funding streams in the hope of sustainability may contradict the reality that such diversification of donors brings a widening range of requirements and capacity needs that may undercut sustainability.

Donor requirements and conditions have internal implications for networks in terms of the ability to adapt as the network evolves.

Part of the power of networks is their ability to adapt to a changing world. This ability to adapt and evolve is critical to network impact but can be hindered by strict guidelines, restrictions, and limited flexibility in terms of time, scope, and funding. Even donors with

the best intentions may face internal constraints that limit their ability to minimize management and administrative burdens.

At the same time, a network can respond in multiple ways when working within the parameters of its funding sources. **Open communication is key**: talk about what the real work looks like with existing and potential donors. Be upfront and transparent about what the network needs to be effectively supported and articulate this to donors. Whenever possible, be selective in identifying partners with whom the network will be able to communicate and engage honestly.

A network's demonstrated willingness and commitment to open, transparent communication can also build donors' trust in the direction of the network to which they are committing funds. It is helpful for networks to be open about issues like sustainability wherein, for example, it takes a lot of time to build towards sustainability, and identifying needs early on can help in the long-term success of a network. Likewise, networks help make the case to the network's donor through the network's own monitoring, evaluation, and learning (MEL) so that the network can tell stories that influence the donors as well as help them to make the case for support internally and in wider donor networks.

HOW TO BEST APPROACH NETWORK FUNDING

Networks are different from traditional organizations and all networks, and network journeys, are unique. At the same time, most of the donors who provided case studies stated they do not explicitly or formally take a different or distinct approach when funding networks as opposed to other (non-network) grantees. Some donors noted that the approach may be adapted on a case-by-case basis depending on the program/grant manager in charge of the relationship.

While donors might not explicitly take different approaches, those who provided case studies shared insights about **what it means to be a donor for a network** and some **fundamental considerations** they take when working with networks. They shared that it's important to:

- Build an understanding of how networks operate and create impact and understand that supporting the network means supporting the members and the broader field or movement.
- Appreciate that collaboration takes time and resources to build trust and reciprocity.
- Be clear on what is being invested in the strengths, skills, and connections of people working together for positive change. A network donor is equipping the network and its members to be more innovative, respond more nimbly to opportunities and challenges, and foster bold ideas and leadership to unlock solutions.
- Manage expectations and anticipate a potentially steep learning curve.
- Be ready for big questions to arise such as "how do we ensure the conditions are in place for a successful network? How much do we push when they are not? How does the network hold itself accountable? When do we know it's time to sunset a network and what are the best practices to do this?"

Anticipate the challenges of supporting networks

The case studies highlighted a number of challenges that network donors should be prepared for.

Networks are premised on trust, relationships, and collaboration, which take time.

As noted in one case study, networks rely on "motivation, trust, and actions" which means nurturing a balance between collaborative actions and the time it takes to establish a sense of community. No matter what form collaboration takes, it requires trust and strong relationships, now and in the future. Building these takes time – especially when not everyone immediately sees the value of networks – and may take precedence over tasks like developing logos or joint statements. For networks in particular, creating spaces, in person when possible, is vital to cultivating collaborative processes. At a bare minimum, people within a network have to get to know one another and connect with people or organizations that they wouldn't normally connect to. For greater impact, they need sustained, diverse spaces to maintain the collaborative network mindset and consistently take collective actions.

Dynamics are extra complex in a decentralized and dispersed set-up.

Network dynamics are grounded in who's involved and how they interact. Having an equitably represented mix of people and groups is critical to the success of a network. This includes finding the right network manager or intermediary who has the skills, community understanding, and contextual knowledge to effectively engage and coordinate the diverse mix of members. "Readiness" in the sense of an appetite for and capacity of members to connect and act together is also vital.

A lack of involvement of certain member profiles, such as local leaders, can hinder momentum and the overall work and culture of the network. Likewise, the outsized influence of one organization or of strong individual personalities might trigger tensions, disengagement, or other adverse dynamics. Networks that are driven by a single personality who holds it together and holds all the power are often unstable and can end up functioning more as an NGO, undermining their stated purpose and potentially competing with members for funding, power, and knowledge. In any network, tensions may exist between network managers and members, particularly about how resources (money, information, etc.) are shared. Members may have tensions among them where some members engage and others fail to show up. It can also be challenging to mediate and compromise within a diverse membership, both with regard to who they represent and how they are structured and operate. Networks that cannot manage conflict and competition will often struggle to reach their goals.

Network governance is fundamental.

Network governance is about how the network members decide to be in and manage the space of the network together. Members, alongside network managers, have to decide how they will resolve disputes, manage resources, and decide what tactics to pursue or strategies to adopt. Critically, they will have to decide how to distribute power, make decisions, and hold each other to account. As case study respondents noted, network members and managers:

- Must agree on how they will show up and work together to achieve their shared goals including how they will define those shared goals.
- Will likely need agreements and mechanisms for making and following through on decisions about how to be in the network space together. Where these are lacking, challenges and conflicts can easily arise.
- Should define roles and responsibilities but also allow for them to evolve.
- Cannot avoid the difficult conversations that can arise around decision-making and accountability.
- Must acknowledge that setting the terms of engagement requires time, process, and transparency – and is foundational to building and maintaining trust within the network.

Member engagement and participation are perennial issues.

As one donor noted:

"...the networks struggle to ensure participation and involvement by large proportions of their memberships and end up being driven instead by the governing body and/or by the Secretariat. What happens then is that networks start looking more like organizations and less like networks."

Members need to be engaged at various levels, from decision-makers to boots on the ground. At times, organizations might not know who from their teams to bring to the table. Community engagement, including that by local or grassroots actors, may be challenging but are a priority. It can also be difficult to balance between highly engaged members and those that are less so, particularly where there is a representational deficit such that those members with greater resources tend to be better represented. True member engagement is about participation in network activities but also in decision-making.

Sustainability for networks is often opaque.

While many donors hope their funding can help establish a robust network that sustains itself, there are questions about how networks could transition away from donor funding to, for example, members or partners taking on the work. It is not clear how to build models for sustainability into a network's design, what activities to be engaged in from the beginning to ensure sustainability or what role(s) donors should play (if any) once their funding ends and they no longer have a financial relationship with the network. It could be true that success isn't necessarily a network that sustains itself forever. Preoccupations with sustainability might also be built on misplaced assumptions that networks can survive without funding. As one donor stated:

"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...is that they are mostly all reliant on some form of grant funding in order to stay viable."

The nature of the work of networks makes it difficult to evaluate them.

The ability to demonstrate network achievements and showcase their impact is something that most networks struggle with. This challenge exists within a wider context of a lack of shared understanding about networks and why they are effective, without captured outcomes or impacts to substantiate the model. The types of change networks create can be hard to measure and networks and their donors grapple with how to track progress and integrate evaluation into overall network activities. As one donor noted:

"It can be hard to tell the story of our approach, its "chain of impact," and why it matters for our own evaluation purposes."

Roles that donors can take with the networks they support

In some cases, the donor's role is minimal, solely providing funding and receiving networks' reports on it. More often than not, donors take a more engaged role. Some donors provide technical as well as financial support, for example, helping to design

processes or tools (e.g., system analysis, strategic planning, governance agreements, job descriptions, etc.) that the network needs to be effective and evolve. They may serve as a thought partner for projects and to the network manager or sit on steering committees or working groups. Donor staff may provide assistance when needed/requested or may drive or lead some work in collaboration with the community.

A network donor can choose a multi-faceted role.

There is a wide spectrum of roles that donors can and do play in networks – convener, weaver, advocate, organizer, communicator, thought partner, evaluator. The specifics depend on the network, including on the development trajectory of the network and the nature of the relationship between the donor and their network counterparts.

In almost all cases, the networks that provided case studies described **the benefits of donors participating in the networks in various ways** – and their desire for donors to do so, appropriately and within some boundaries. In summarizing one network's perspective, donors should use their voice for positive change and determine their role(s) thoughtfully. They should be open about what role they want to play within the network but first, listen to what the network needs. Furthermore, none of these roles should be played alone: the donor should ensure there is engagement and ownership across the network or the support could backfire, resulting in a limited, donor-driven effort.

A donor can be a facilitator and convener.

Taking on such a role means creating spaces and opportunities for shared learning and connection. This could entail organizing or supporting activities like convenings and events or providing the funding support needed for network members to engage. Serving as a facilitator or convener, a donor might also foster opportunities to weave and build relationships. This could mean bringing other organizations to the table, formally or informally, including bringing other funders in for co-funding or partnership opportunities. As noted in the case studies, pointing other funders to the network either directly or indirectly is highly desired by networks.

A donor can serve as a strategic thought partner.

Part of this role is helping the network navigate along its chosen pathway by developing joint strategies, supporting network assessments, providing advice, or helping to tackle problems. As a strategic thought partner, a donor can be a partner along the network's learning journey, supporting efforts to see across the network and multiply the perspectives, skills, and experiences related to the issues at hand. In this way, they may function as a knowledge broker or may support activities like coaching, collaborative learning agendas, or participatory evaluation.

A donor can be a member of the network.

As a member, donors would be a recipient of the network's services, making use of the knowledge and expertise available within the network. They could participate in activities, share knowledge, expertise, needs, and opportunities within the network, and actively contribute to achieving the network's priorities and objectives. As a member, they have the opportunity to participate in areas and activities where they believe there is shared value or where they can add value, such as sitting on an advisory committee, participating in a convening, or co-creating a product. In the member role, they should also embody a network mindset, demonstrating in practice the importance and advantage of collaboration. As a member of the network, they should also be open and transparent about the funding they are providing to mitigate any concerns or conflicts of interest.

The influence the donor will have

Donor influence impacts power dynamics within the network.

As a donor engages with their network grantee(s), they should be aware of the significant influence they have. Key advice from both the network and donor case studies was to be aware that a donor's presence and involvement in the network can – and will – impact the **power dynamics** within the network. This may be especially true in settings that include marginalized voices. As soon as a donor engages, they are part of the network ecosystem, and for that matter, likely a part of the system they are trying to change. Recognizing the power dynamics at play and that donors are rarely passive observers is a necessary consideration. It becomes important to be upfront about this and hold conversations about power dynamics early and often.

Donors must realize that their **influence can be unintentional**: it is intrinsic to the roles, positions, and dynamics of the system. Such influence can be based on the privilege inherent to the donor as an organization and to the individuals representing the donor organization. The implications of donor influence may also be unexpected and unpredictable. Donor influence can have negative implications wherein, for example, partners follow the donor's lead to obtain further funding or survive financially, perpetuating paternalism or dependency. On the flip side, donor influence may enhance a network's credibility when members or partners know who is funding the network.

This unintentional influence must be recognized and understood so as to allow the network to take the lead. As one donor described:

"The networks we're involved in typically have clear decision-making guidelines that mean we only ever have 'one vote' when it comes to any decision, but there's no denying the reality that, because we're a funder, our voice has an added weight; when we express interest in a given idea others in the conversation can't be faulted for assuming there might be a possibility we could advocate for getting funding to that initiative. So to mitigate the distorting effect our presence as funders might have on the dynamics and decision-making in a network, we have tried to exercise utmost caution in how we show up and what we say. We have also tried to show up with deference to the networks' leaders and members and the experience and expertise they bring regarding the issue. It's not for us to say whether or not we were effective in all of that; that's something to ask members of the networks we participated in. Thankfully, it has been precisely their guidance and feedback that has gotten us to pay close attention to this part of our work as people trying to steward money back into the public good in ways that are equitable." Supportive donors should seek to ensure that the network and its members determine the ways forward that are best for them, emerging organically, with ownership over the process and the directions forward. Awareness and recognition of the donor's power to convene and influence should be used to mitigate negative influences, bolster positive ones, and ultimately benefit the network.

How to manage donor influence and be supportive

Donor influence can be an asset when paired with some key principles for how to interact with and support a network.

First, **be thoughtful and intentional**. At the most basic level, a donor should communicate effectively and engage honestly, openly, and respectfully. They should be transparent and explicit about their engagement and recognize that it will likely evolve and shift over time across the journey of the network. The donor should also consider their strategic influence in the network compared to their day-to-day operational influence – and veer towards the former rather than the latter. A donor can intentionally choose to maintain a respectful distance or stay in the background, aligning behind the network's approaches especially at key moments or for certain activities or decisions. This may require delineating different approaches for different types of support (e.g., core funding versus capacity building support) so as to minimize power dynamics. It can also mean taking the temperature of the network in an ongoing manner to understand the appetite for donor influence including what to influence and how. Asking for feedback is always a good strategy.

Relatedly, a donor can **ask questions.** Asking novel or critical questions can be a key driver for moving the network forward, either in terms of its internal operations or its activities toward its vision and goals. While avoiding micromanaging, asking questions can bring new perspectives, a critical element of a healthy network. In particular, questions are useful in helping define network governance in the sense of how the network members want to be together and work together in order to achieve their shared purpose.

A donor should also ask questions to the network and its members to inform their role. The primary question to ask is what the network needs to be effectively supported – and donors should be ready to accept that what the network needs or wants might be different from what they envision. A donor can also strive to create positive feedback loops wherein they and the network can be upfront and transparent about needs and issues.

Donors can **provide advice or insight when it is asked for.** As described above, they can serve as a thought partner, providing strategic guidance across focal areas or contributing to problem-solving. They can engage in learning conversations, sharing past experiences when it seems useful.

Finally, they can **create connections.** Donors can diffuse their influence by collaborating more and amplifying other voices. This can mean leveraging connections and relationships to benefit the mission and vision of the work. A donor may bring in other funders or

connect the network to other resources. They may bring in other types of partners not already in the network or take the work of the network to places or forums where the network has less reach. Donors can also play matchmaker by getting to know the strengths and skills of members and encouraging connection or sharing in specific areas.

In general, to manage donor influence, **the roles a donor plays should be determined by what those in the network want to accomplish**. Any donor should play the role the network asks of it rather than pushing its own agenda or micromanaging by becoming overly involved in how the network operates. As one donor noted, for example:

"There can be networks that offer support and serve as a place to find solidarity, or a place where action happens and work is taken forward together or in a coordinated fashion. Sometimes networks move back and forth between the two. Listen to where the network wants to go and see what tools they need to get there."

Following the lead of the network means trusting the network, i.e., the network manager(s), the members, and the collective. A donor can develop an understanding of the network, its context, needs, goals, members, and more by using formal mechanisms such as assessment activities and informal channels based on effective, continuous communication with key counterparts. The donor can then rely on the goals and needs of the network to shape their experience.

<u>What to avoid as a donor</u>

The donor-grantee relationship can be a complex one in any context. Donors may have a set of needs and expectations they are beholden to that are then reflected in the scope and requirements set for their grantees. In the narrowest view, this could lead to viewing a grantee **as a means to an end**. Donors may view networks as subcontractors who can fulfill specific activities or offer access to certain expertise. They may hope to benefit from the connections and/or knowledge that reside within the network or seek access to a greater web of partners or opportunities to develop relationships with organizations they might not otherwise partner with. In these cases, networks may be instrumentalized by donors as tools to leverage toward their specific goals.

Networks are built on the broad-based participation and engagement of their members. This member-driven focus doesn't align with the capacity for a network to respond specifically, or solely, to one stakeholder's needs and requirements. When networks do this, they become less like networks and more like organizations. Donors should be wary of such an approach that might not help them achieve their goals wherein networks are not suited for such and may simultaneously hinder the real potential of the network.



Many of the case study respondents, both donors and networks, referenced an ideal funding scenario for networks: flexible, multi-year core funding that supports network operations and activities. While a number of the donor respondents provide some variation of this, many of the network respondents called for improvements in donor funding, indicating that the donors who participated in this research project may be the exception rather than the rule.

Many donors also noted the value of co-funding or bringing in other donors to help deepen financial and other investments, facilitating collaboration and co-creation.

A brief overview of how donors fund networks

An overview of what and how some donors often fund networks can inform the approach and mindset of other donors, hopefully paving the way for them to strengthen and increase their support to networks.

Donors that fund networks typically fund a) network activities and b) network management and development.

- Network activities are those that focus on achieving the network's shared purpose and may include network convenings, other facilitated spaces for peer support and community building, advocacy and campaigning, research, or projects within the network ecosystem.
- Network management and development often includes costs to maintain, further develop, coordinate, or manage the network including staffing, training, or coaching. It can also include activities related to network strategy, monitoring and evaluation, communications, or the network infrastructure.

Donors provide their funding in many formats.

Some **common types of donor funding** are core funding, project support, and capacity building. **Core funding** is highly desired by networks and is typically given in one- or multiyear general operating grants that can be unrestricted and flexible. Core funding that covers the organizational and administrative costs of the network can be responsive to the needs of the particular network and operating context. Core funding ensures that networks can reprioritize funds as new needs emerge.

Project funding may support specific experiments or interventions that networks determine they need for their evolution. As one donor noted, this may be, for example,

"updating the systems analysis of the challenge they're working on, incorporating new insights into network structure and programming, or building out a fund to support emergent projects proposed by network members."

In some cases, network activities can be "projectized" – wherein a certain set of activities is articulated or organized as a separate project with goals, timelines, deliverables, and budgets – and supported with project funding. Project funding can also mean the donor contracting the network to achieve specific outputs or outcomes, which risks diverting the network's focus from its collective goals and activities.

Capacity-building support can vary from grants for network exploration or development for new or emerging networks, to accompaniment support for organizational strengthening. It might mean a donor funding strategy development, an evaluation or network assessment, or coaching for network managers.

There are multiple channels through which network funding can be provided.

Direct funding to networks will be channeled to the legally registered organization that serves as the network's network management, backbone, or Secretariat. Where the network is not a registered legal entity, donors may use intermediaries, host organizations, or fiscal sponsors. **Indirect support** can be paid directly by the donor for tailored network strengthening such as hiring consultants or sponsoring conferences. Sometimes, donors will also fund network members as separate grantees.

Many donors noted their **legal limitations** (e.g., working within the confines of U.S. legal and financial regulations) in being able to fund networks based on who would receive the funds for the network and how they would be managed. Some of these limitations are straightforward, such as money must go towards a charitable purpose or payments must be made through the legal organization named in the contract and with a dedicated organizational bank account. Some donors work with organizations to obtain equivalency determination, a process by which U.S.-based grantmakers are able to fund foreign grantees who are the equivalent of a U.S. public charity, in order to avoid additional reporting and limitations to the use of funds. Depending on how they receive their funds, donors have their own restrictions and conditions on funding that they must pass along to grantees.

How to structure donor funding to networks

A donor's funds should meet both the needs of the donor and the unique needs of the network(s) they support.

Working within their own systems and parameters, there are ways that donors can best meet the needs of networks in terms of how they structure their funding.

As noted by both donors and networks, in general, **networks need higher amounts of funding for longer periods with fewer requirements.** According to one network:

"Supportive donors understand that the work of collaborations takes time and resources to simply meet together - building trust and reciprocity and ability to work together is essential and requires skilled network organizers. They fund partnerships and are accepting of various financial or staffing arrangements to make these collaborations work. They fund longer-term whenever possible and are flexible about where costs are directed."

Structuring donor funding towards these characteristics can best match the complex, collaborative environments and needs of networks, allowing them to reduce transaction costs, focus more on strategic outcomes, and support emergent ideas, processes, and outcomes.

Given the process-oriented nature of networks – as noted elsewhere, relationships, trust, and collaboration take time to build – donors should try to **fund for the long term**. The need for extended timeframes was mentioned numerous times across the case studies. According to one donor:

"We have found that funding systems-change networks involves a lot of pivoting and emergence. This has led us to gradually shift over the years towards more unrestricted grants, to ease the administrative burden on grantee organizations and on the Foundation's program and operations staff. Our individual grants to networks are typically no longer than 2 years. But our funding relationships with some networks are several years long."

Multi-year grants can improve planning, reinforce organizational systems, and sustain staffing arrangements, thereby fostering greater impact. Ongoing support is often critical to network survival when we recognize that change can take years to happen. Relatedly, filling funding gaps can help networks to work on the network rather than scrambling to stay afloat. Furthermore, it is helpful if a donor can structure agreements for grantees to receive blocks of funding on predictable schedules rather than having to invoice for work completed across a funding period and await funds.

Flexible funding was also widely discussed in the case studies across networks and donors – and was noted as a priority across the donors. Being as flexible as possible allows for adaptations in line with the network's vision and mission and supports the long-term health and sustainability of the network. The lack of flexibility hinders impact. According to one network:

"We are beholden to restrictions such as, 'You can't move more than \$5,000 between line items and you need to submit three pages of justification if you need to do that...' or funders have told our partners that requesting a change makes it appear as though the grantee doesn't know what they are doing. We also know of partners who had to return grant dollars if they asked for flexibility and were not granted flexibility in how those dollars were used. Typically, that grantee cannot request funding from that funder again."

Donors can build flexibility into their funding by agreeing to amend activities and shift budgets between activities within their funding, allowing the reallocation of funds to activities not specified in initial grant agreements, and approving no-cost extensions. Likewise, being flexible in the scope of what can be funded can be advantageous. As one network noted: "[not being able to fund] something that isn't evidence-based seriously prevents us from testing new ideas. We end up in a cycle of doing things that we know won't work, or we lack the opportunity to say, 'We requested \$50,000 to support this one thing a year ago, but we learned something over the last six months and we believe that \$50,000 should be used on this other thing instead because we believe it will have a greater impact.'"

Allowing for a flexible scope can ultimately support the impact a donor sets out to achieve with their investment.

Unrestricted core funding is ideal in that it supports the full operations of the network including administrative costs. With such flexibility, the network is able to make unhindered decisions about how to support its needs and goals including as they shift and emerge over time. Flexibility ensures the autonomy of the network to develop work that matters to their membership and aligns with their theory of change. Donors can typically be most supportive of networks by providing core funding to support network activities, rather than programmatic or project funding that can divert attention away from network operations and emergent needs.

Funding emergent needs directly is another approach donors can take. More than one case study noted that new ideas often emerge organically through network processes but additional funding is not always available to bring them to life. Donors can help networks find the resources to make bold ideas happen. Similarly, they can support follow-up activities that strengthen networks. According to one donor:

"Sometimes, work done to develop one piece of network capacity (e.g., doing a systems analysis to update the network's strategy) produces a need for an additional intervention (e.g. restructuring the network in accordance with the new strategy). That is, for capacity development interventions to add value to a network, they need follow-up and ancillary interventions."

Likewise, when a donor funds network strengthening, they may consider other types of related needs. Supporting a network to, for example, develop a new app might require connecting them to graphic designers.

How to manage conditions and requirements

Simplifying requirements and administrative processes can be one of the best ways for a donor to support networks and their ability to create impact.

To the extent that a donor can **reduce administrative burdens** for a network, they should consider it. Reducing transaction costs across the life of the grant frees up time and energy for network activities that create impact.

This starts with **simplifying the funding application processes**. For example, a donor may consider accepting the same proposal format that a network has provided to other funders, reducing the burden on the network to complete a new application. Also, be cognizant of the skills and access involved in developing adequate proposals – writing skills, English language skills, editorial support, communication styles – and offer other formats.

Furthermore, consider the nature of the application process and forms, and try to match the level of detail and effort required to the level of funding (for example, not making the application more convoluted than necessary or requiring extensive applications for small amounts of funding).

Be wary of the **conditions placed on the funding** while still working within legal and internal limitations. For example, avoid placing limitations on network membership and engagement by requiring a network to only include the donor's grantees. A donor may consider any requirements about their funded networks participating in cohort approaches with its other grantees: these can be incredibly valuable but at times can drain network managers' time and attention. Also, donors should be thoughtful about any co-branding or formal recognition requirements. It can sometimes be problematic or sensitive to require a donor's name and logo to be placed on network materials or outputs.

Donors should be thoughtful about **reporting needs and requirements and what they mean for the networks.** Reporting can be beneficial to networks – when it helps shape thinking or facilitates reporting to members – but it can also be too rigid, misaligned to network needs and goals, and/or be extensive and disconnected from network results. Reporting often requires huge outlays of time and effort or even skills (writing, language skills) that networks may not have at their disposal.

In general, the case study respondents – both donors and networks – recommended less reporting and offering different formats for reporting to ease the burden on networks. As described by a network:

"Requirements typically include monthly meetings on progress, quarterly reports, final reports, and participating in their 'data collection' system, which may include reaching out to multiple partners to request data that has no impact on our success."

As one donor stated:

"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."

Donors can consider other creative ways to receive information about how networks are using their funds. For example, a menu of reporting formats could be created for grantees to choose from, e.g., recorded video testimonies or direct inputs into a user-friendly database. Donors might invite their network grantees to share their work at a meeting of the Board of Trustees instead of drafting a written report. Periodic check-ins are also powerful for openly sharing learning and working together to course correct as needed.

Additionally, networks may or may not be able to report on impacts – even outcomes take time to achieve, let alone impacts, and methods to identify outcomes and impacts achieved by networks are lacking in general in the field. A donor may provide help to them in measuring impact, analyzing qualitative data, and identifying key factors.



For those immersed in the work of networks, the challenges around monitoring and measuring impact and success are not new. Many of those same challenges are also relevant to funding networks. Both networks and donors must be able to make the case for the value that networks can create in order to meet reporting requirements and achieve their goals over the long term.

The types of struggles networks and their donors face in monitoring and measuring success vary and include considerations such as:

- What change can be claimed that the network directly creates or contributes to within complex environments and issue areas (i.e., contribution or attribution).
- What can be achieved on what timeframes (e.g., short timelines of one to two years can foster outputs but not necessarily outcomes or impacts).
- How to articulate and manage the nonlinear nature of the types of change networks create.
- How to track not just outputs but also collective impacts (such as policy changes).
- How to quantify the results that they've achieved or contributed to.

The overarching struggle that underpins all of these considerations is that donors (or those that donors must report to) oftentimes need or expect results to be direct, tangible, and on specific timelines, which doesn't take into account the emergent and complex nature of networks.

Adequately measuring network value and impact is hard to do.

The ways in which network value is created – through long-term processes focused on fostering relationships, trust, and collaboration – are both the power of networks and the root of many of its challenges, including **difficulties in measuring and articulating that value in practice.** Building meaningful relationships that can yield social impact takes time, cultivation, and constant course correction, and not all outcomes and impacts can be anticipated. As one network noted:

"Fundraising for networks feels more difficult because our impact is often more diffuse. We have to focus on contribution way more than attribution. We often have impact through fostering relationships but those relationships may not bear full fruit until years later, and many donors tend to want to fund very specific, narrow projects with very predictable, linear outcomes in the near term."

Furthermore, as noted by another network,

"many things are in our scope of influence but not necessarily in our scope of control."

Ultimately, measuring a network's value is about understanding a network's impact on a complex problem. This requires measuring systems change, which can include a range of factors: policies, practices, resource flows, relationships and connections, power dynamics,

and mindsets. Given the complex systems that networks work within and the diversity of activities and processes at play, anticipating direct, tangible, and linear outcomes is almost impossible. Instead, donors have an opportunity to co-create non-traditional and adapted measurement standards alongside the networks.

Defining metrics in advance or in too much detail is unhelpful.

Networks may be required to identify predetermined metrics or outcomes for funding proposals and reporting that do not necessarily align with their emergent nature. Networks are often unable to find relevant metrics for more traditional reporting expectations and formats. Metrics applied across multiple networks may not take networks' unique contexts into account. According to one donor:

"We used to have a section in our grant proposal that asked what applicants' M&E plan was and how they were going to track impact, but over time we realized that the information in that section, substantive and well thought out as it typically was, was the least of what grabbed our attention. Because what typically mattered was often a set of insights, setbacks, opportunities or breakthroughs that emerged through the course of implementing the work. We get to learn a lot of this from our check-ins with grantees throughout the grant period."

Non-traditional measurement practices can be mutually beneficial.

Ideally, rather than prescribing how the network produces work and reports on it, a donor could instead let the network define its metrics in practice. One approach is to **use what the network has already defined**. Networks may already have in place tools like theories of change, logic models, learning frameworks, or strategic plans. Whenever possible, donors should not require predetermined outcomes, but instead allow networks to work and report against, or draw metrics or outcomes from, these tools in ways that also match their priorities or interests as donors. The donor and the network can agree on a combination of both funding- and network-specific metrics that are ultimately dependent on the work the network decides to pursue and in service of its intrinsic interests.

Such an approach focuses on the network's goals, progress against them, challenges encountered, and the adaptations from lessons learned. In so doing, it is typically best to stay at a high level of outputs or outcomes. Donors can use reporting processes to surface lessons and adaptations that are valuable for the network – and perhaps for other networks that the donor funds. Co-created agreement around a set of high-level objectives and activities can set in motion collaborative processes to test, learn from, and adapt approaches on both sides of the network and the donor.



The case studies and this guide, while vast and insightful, are still limited. There are an array of experiences not captured in these case studies. Likewise, there are many other factors – such as geography, culture, policy, history, and more – that can affect the relationships and interplay with the dynamics between networks and donors. These factors can have important implications on funding processes, access, and outcomes.

Network practice is an evolving and collaborative field. We strongly encourage others to continue to expand the knowledge and evidence base about donor funding to networks – including developing their own ideas and research products from the richness of the case studies. We hope that any knowledge products that are developed will be shared with Collective Mind to put out to our community and strengthen the field of network practice.

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www.collectivemindglobal.org team@collectivemindglobal.org