

What is Strategic Co-Funding?

Strategic co-funding is a form of philanthropic partnership among organizations that work in pursuit of a common goal. It is a key way grantmakers of all types and sizes can expand the impact of our grants, leverage knowledge and resources (both philanthropic and public funds), and reduce administrative burdens on ourselves and grantees. Strategic co-funding could mean aligning grant dollars, programs or administrative functions or adopting complementary strategies. It is different from other collaborative efforts in that participating funders share a commitment to prioritizing what's needed to address the problem at hand over our individual preferences, needs or limitations. This piece introduces different structural approaches to strategic co-funding, further explains how they differ from other forms of collaboration and suggests some important success factors for grantmakers to consider.

Introduction

The problems we seek to address are too large and complex for any one grantmaker to tackle alone, and the nonprofits we rely on to address these deep-rooted challenges lack the sizable, predictable and flexible funding they need. By aggregating dollars, funders of all types — public agencies, private institutions and individuals — can increase the impact and efficiency of our funding.

What are the benefits of strategic co-funding?

Strategic co-funding helps address two primary problems many nonprofits face: the need for *more* money and the need for *more efficient* money.

For more on this topic, see [Strategic Co-Funding: An Approach for Expanded Impact](#) (Washington, D.C.: GEO and REDF, 2012).

Just as for-profit investors seek their peers' vetting of specific investments, grantmakers can also influence each other's funding choices to bring more money to the causes we support. On the efficiency side, when money is aggregated via a co-funding pool, fundraising and reporting are streamlined for the grantee, thereby increasing the total funding that can be put toward mission. Likewise, grantmaker operations can become more efficient by decreasing due diligence and monitoring duplication while more effectively aligning funding, policy and practice with our peers.

Strategic co-funding requires a level of time and resource coordination that will not be appropriate in every case. Grantmakers should consider how co-funding may affect grantees and ensure that it is a worthwhile endeavor. For example, will a co-funding arrangement help streamline grantees' fundraising processes, reduce the time they spend servicing grants or increase the amount of money they can count on to develop bigger and bolder solutions? Or, does collaborative funding have unintended consequences, such as crowding out other resources that the grantee might have received or bringing too many highly-engaged funders to the table? Likewise, will joining an existing co-funding group or starting a new one be worthwhile for funders?

Strategic co-funding has the potential to improve decisions about grantmaking when building on the group's collective experience, distribute risk when entering a new area, pool evaluation tasks and increase the visibility of the issues being funded. However, co-funding may not be the right choice if foundation leadership is not bought in, or a grantmaker can't find compatible partners or is unwilling to give up some degree of autonomy and experiment with various strategies and approaches.

How is strategic co-funding different from other forms of collaboration in philanthropy?

In most co-funding initiatives, participating funders share a commitment to prioritizing what's needed to address the problem. This sometimes means setting aside the preferences, needs or limitations of our individual institutions. These efforts are also marked by:

- a clearly articulated and agreed-upon social change goal, and
- an accompanying commitment to a fundraising goal, which is based on an analysis of the total funds required to achieve the mission and includes plans for securing any additional funding that may be needed beyond what the co-funding initiative will provide.

How does strategic co-funding look in practice?

There is no one-size-fits-all approach to co-funding. From examples across the field of philanthropy, GEO has found that strategic co-funding typically takes shape in three structures — pooled funding, targeted co-funding and strategic alignment, or some combination thereof.

1. Pooled funding (or capital aggregation): Funders contribute to a collective fund, which may be jointly administered by the group or by a lead donor or third party.

In pooled funding, each member grantmaker donates money to a single pool of funds. Money from the pool is then used for various aspects of the initiative without distinguishing its original donor.

Grantmakers involved in pooled funding relinquish control over their funds while creating a flexible pool that reduces the administrative efforts of coordinating multiple funding sources. Within a pooled co-funding group there are two primary roles funders can assume. The *lead* funder decides how the co-funding initiative will operate and designs the implementation and evaluation and learning plans. Some parts of group coordination may be delegated to an intermediary.

A *participating* funder trusts the lead funder's expertise and vision and sees co-funding as a more efficient grantmaking approach. Consequently, a participating funder contributes to the pool and may offer input and advice on design or direction but does not assume primary responsibility for implementation and fund allocation.

2. Targeted co-funding: Funders deliberately but independently make a grant to the same program, nonprofit or issue.

In targeted co-funding, participating funders make a commitment to the same initiative or same set of grantees, but each separately donates money directly to the grantees to fund a portion of that initiative. Because the funds are never pooled, each partner retains more control over the destination and purpose of its funds. However, a targeted co-funding model requires more administrative effort by grantees to coordinate the grants of multiple donors toward a single initiative.

Within a targeted co-funding group, there are two primary roles funders can assume. The *lead* funder organizes funding commitments and may carry out due diligence and group coordination. Sometimes those tasks are delegated to an intermediary.

A *participating* funder takes on a more secondary role in selecting and contributing to fund grantees of an initiative, but has say in the implementation and measurement plans for the portion of the initiative it is funding.

3. Strategic alignment: Funders agree to adopt joint or complementary strategies, in pursuit of a common goal and put their resources toward aspects of it.

Strategic alignment is typically more loosely structured than pooled funding or targeted co-funding. Participants all agree to a set of priorities, but each individual funder administers its own grantmaking processes. Governance and administration requirements for funders are typically less in strategic alignment than in other co-funding efforts, and because of the looser structure, there often is not one foundation playing a lead funder role. However, like targeted co-funding, strategic alignment may require more administrative effort by grantees. Administrative and facilitative support can be handled by a staff member at a participating foundation, a consultant or a staff member from an affinity group.

What will make our co-funding effort successful?

Because strategic co-funding is a long-term commitment, we consider it a journey. We suggest grantmakers follow three steps to help ensure success with co-funding:

1. Agree on the destination

A clearly articulated goal is vital to attracting co-funding partners. When we clarify where we are going and how we plan to get there, we are more likely to attract like-minded grantmakers and grantees. Having a clear, specific end goal paves the way for agreement on interim milestones. A good goal inspires, focuses and leads to action. Questions to help reach consensus around clear goals:

- What is our goal?
- Is it broad enough to be compelling, yet specific enough for action?
- Can we clearly convey the actions and outcomes we expect?

2. Pack for the whole trip

In strategic co-funding, funders come together to address ambitious goals. For the most part, co-funding does not set out to support short-term projects; instead, co-funding tends to be targeted at identifying new or growing the impact or reach of successful solutions to complex problems.

This contrasts with the traditional philanthropic funding environment that is predominantly project-oriented because of the emphasis on the total resources, time horizon and capacity required to accomplish large social and systems-change goals. A project, no matter how valuable, can fail if there is not a strong organization or group of organizations behind it. Addressing complex challenges requires significant investments of resources and time. Questions to help determine the investment of time and resources required:

- What and how much impact do we seek?
- What is needed for the whole plan to succeed in terms of funding and other support?
- Is the potential payoff worth the investment required?

3. Watch for road signs

Measuring the success of social change efforts is always a challenge, and the long-term and collaborative nature of strategic co-funding introduces additional complexity. We should ensure that the outcomes we hope to see from strategic co-funding are appropriate for the time frame of our commitment. We also need to establish intermediate outcomes that will allow us and our co-funders to gauge whether the initiative is on the right track. Finally, we should agree to common measures to help ensure that all parties are indeed working toward a common vision and to minimize the evaluation and reporting burden on our grantees and fellow grantmakers as well. Questions to consider to help articulate our impact:

- How can we measure the success of our efforts?
- What milestones will tell us if we're on the right track?
- When should we reach our milestones?

Conclusion

While strategic co-funding requires some shifts away from traditional approaches to grantmaking — namely giving up some autonomy, putting a shared vision ahead of our individual agendas, and committing to the long haul — it is a key way grantmakers of all types and sizes can expand the impact of our grants, leverage knowledge and resources (both philanthropic and public funds), and reduce administrative burdens on ourselves and grantees. In order to do co-funding well, grantmakers must ensure we are prepared for the journey by agreeing on the destination, packing for the whole trip and watching for road signs.