FUNDING FOR REAL CHANGE

Case Study Synthesis Report

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Introduction

The nonprofit starvation cycle[1] is reflective of and perpetuated by the systemic under-resourcing of the core organizational functions of grantee organizations. This underinvestment will persist until funders recognize the importance of and adopt practices that enable them to fulfill their full potential. There is no one-size-fits-all solution to ending the nonprofit starvation cycle, as the journey toward achieving more flexible and equitable ways of supporting grantees is nonlinear and unique to each funder's context, capabilities, and goals.

As such, Ariadne and EDGE Funders Alliance have developed a series of case studies that showcase diverse practices foundations have successfully employed related to increasing indirect cost coverage in project grants. This report is an overview and synthesis of some of the key insights funders and nonprofit organizations shared about their diverse perspectives and experiences in this space.

[1] High overhead costs become linked to assessments of effectiveness. Due to the power imbalance between grantee partners and funders, civil society organisations and social movements are often reluctant to initiate conversations, or enter negotiations, revealing their real administration cost rates. This creates a vicious cycle where organisations report lower administration costs than they actually incur — leading to continuous underfunding in key areas of need like HR, fundraising and IT systems. It's a cycle of starvation!

1. Overview: Indirect cost policies

1A. The policies, past and present

Flat rates: MacArthur and Casey

The MacArthur Foundation launched a new IDC policy on January 1, 2020, that provides a flat rate of 29 percent in eligible project grants. Its former policy capped indirect costs at 15 percent. The 29 percent figure represents the IDC rate associated with financially healthy organizations, according to research commissioned with a large sample of U.S. nonprofits.

Grantees of the Annie E. Casey Foundation previously received maximum indirect cost coverage of 10 percent. This was subsequently increased to 20 percent on January 1, 2020, as an interim measure while the foundation developed a more tailored long-term solution. On January 1, 2022, a new three-tiered policy was implemented: Budgets under $5 million receive a **25 percent** indirect cost rate; between $5 million and $100 million receive a **20 percent** indirect cost rate; and over $100 million receive a **15 percent** indirect cost rate.

The tiers reflect findings from Casey's grantee portfolio analysis, which stratified data by both organization size and race. It revealed that budget size and IDC rates are inversely related; smaller organizations tended to have higher indirect cost rates, and organizations of color were more likely to be small.

The policies of both foundations eliminate the need for negotiation and are flexible in that grantees who prefer to take a lower rate can do so and use the remaining funds as they see fit.

Minimums: Ford and Avina

On January 1, 2016, the Ford Foundation began providing a minimum indirect cost rate of 20 percent in project grants. This was a departure from its long-time practice of capping indirect costs at 10 percent. In January of 2023, the policy was further increased to **25 percent** based in part on internal evaluations to identify the median IDC rate of its grantee partners. The policy itself does not protect against "negotiation" per se; however, Ford's implementation efforts focused on training program officers to trust and listen to grantees vis-a-vis their needs, as well as conduct financial needs assessments.

Fundación Avina's[2] partners receive minimum indirect cost coverage of 20 percent, which is an increase from its previous 15 percent policy. Budgets and work plans are the result of equal partnership and collaboration between program officers and grantee partners, and can be amended at any time and as many times as needed throughout the project cycle. This provides an added layer of flexibility needed by grantees

No minimum, no maximum: Oak

The Oak Foundation has a "flexible" IDC policy that is not tethered to a benchmark rate – **neither a minimum nor a maximum**. This is in recognition of the significant variation among its grantee partners, and potential changes over time for a given partner, depending on geography, project type, organizational maturity, governance model, and other factors. The foundation previously did not have a limit on indirect costs; however, it did require grantees to justify in writing any IDC over 15 percent.

1B. Calculations

There is no singular agreed-upon methodology for calculating indirect costs across the philanthropic sector, which has created inefficiencies for both funders and their nonprofit partners. To reduce burdens and create consistency, foundations have addressed the issue in various ways.

Eliminating the need for calculations: The flat rate policies used by Casey and MacArthur eliminate the need for organizations to calculate their IDC rates. On Casey's grant budget portal, grantees simply select their organization size from a drop-down menu that has three options reflecting the policy's tiers. The indirect cost rate automatically populates the form. In MacArthur's grantmaking process, organizations need only present a budget that includes project costs and applies the standard 29 percent indirect cost rate to their sum.

Standardizing calculations and providing tools: Ford encourages organizations to use the Indirect Cost Rate Template available on the Funding for Real Change website, which was developed as a user-friendly tool and is aligned with the foundation's standardized internal calculation. They may, alternatively, submit another "documented" rate, defined as those negotiated with and approved by U.S. federal or state governments, non-U.S. government entities, or another institutional funder.

[2] Information pertaining to Fundación Avina in this report is specific to Avina Americas, its nonprofit grantmaking entity.

Accepting any calculation: Oak will accept any calculation methodology that organizations use out of concern that requiring them to restructure and tailor their budgets would be unnecessarily time-consuming and technical. The foundation has shifted the burden to itself, evaluating each calculation and amount submitted in project proposals.

Co-creating budgets: Avina works directly with its partners throughout the project proposal stage (and beyond) to co-create budgets and work plans, including the calculation and apportioning of indirect costs. The specific percentage in a given grant is determined based on transparent conversations grounded in mutual trust. This ensures that budgets are structured in ways that meet their real needs, not the assumptions of program officers.

Ongoing challenges

For organizations that do not require calculations or prescribe methodologies, their nonprofit partners may actually want or need technical support and resources. Additionally, tools that aid calculations may still be too complicated for organizations that lack the technical expertise or are unfamiliar with grantmaking processes.

1C. Key insights: Which indirect costs?

In addition to challenges pertaining to the amount and calculation of indirect costs, there are constraints grantee partners face related to allowances for certain expenses. Some nonprofit interviewees attribute these to the persistent lack of trust in grantees to use resources wisely; others believe it is the outcome of funders neglecting to invest their own time and resources into truly getting to know their partners and acknowledging their context-specific needs.

Rent: Some funders do not consider **rent** an eligible indirect cost. Those that do have different prescribed methodologies for how the allowable proportion should be calculated. Apportioning rent across numerous funders with different calculations and timelines sometimes results in significant gaps in coverage. There are additional complications related to rent in some contexts – month-to-month fluctuations, paying months in advance for some properties but not others, etc.

Safety and security: Safety and security protocols are essential operating costs for many nonprofit organizations; however, they are largely not considered eligible for indirect cost recovery. However, Avina, for example, works with Colectivo Raíz in Mexico to ensure all of their indirect costs are covered, including those related to managing risks faced by staff and the women workers and human and labor rights defenders they support vis-à-vis physical and technology-facilitated gender-based violence related to organized crime, workplace violence, and violations of human rights by corporations.

Other safety and security needs that are often overlooked:

- Infrastructure and on-site security: Youth Harvest Foundation Ghana's (YHFG) youth center requires fencing and security staff to protect against intruders due in part to its sensitive sexual and reproductive health work.
- Health insurance and life insurance
- Intelligence gathering: Onelife Initiative staff in Nigeria partly rely upon security intelligence from the private sector, as well as retired police officers and soldiers on payroll, to ensure they do not travel to high-risk areas.
- Kidnap insurance: Onelife Initiative has experienced the kidnap of two of its staff however, the organization does not have kidnap insurance that could provide reimbursement and negotiation services related to ransom and extortion as obtainable in countries with similar security realities.
- Communications: YHFG values the importance of communications staff to counter attacks in the media and advocacy campaigns by anti-rights groups that jeopardize the organization's programs, including by making false claims to sow distrust in the communities in which it works.

Salaries (and stipends): Fair compensation is of the utmost importance to nonprofit organizations; however, there are rules set by funders related to indirect costs that reflect fundamental misunderstandings of many grassroots groups' non-hierarchical structures and horizontal operations:

- Excluding executive salaries: Like with Community Connections for Youth (CCFY), a community-based organization in the South Bronx of New York, a grassroots group's "executive director" is often working on the ground alongside staff and is integral to implementing programs, not simply overseeing operations from afar. Therefore, they should not be excluded from salary allowances as indirect costs.
- Non-program staff: Drivers, cleaners, and security workers are highly valued members of nonprofit organizations; however, their salaries may not be considered eligible indirect costs by funders.

Misalignments: A shared sentiment among nonprofits interviewed was the hypocritical nature of some funder practices related to indirect cost coverage – i.e., misalignments between what they value for themselves versus for the organizations they support.

- The Chicago Foundation for Women (CFW) noted how many funders have generous benefits packages for their employees and equitable compensation and workplace policies; however, insufficient indirect coverage and other restrictions prevent organizations from ensuring staff have a living wage, health benefits, paid sick and parental leave, and retirement benefits.
- Simukai Child Protection Programme in Zimbabwe and other organizations raised the thorny issue of co-financing – requiring grantees to provide a contribution of their own to the project while perpetuating grantmaking practices, including inadequate indirect cost coverage, that undermine their ability to be financially stable enough to do so.
- Similarly, it is noteworthy that a common measure of nonprofit financial health utilized by funders to evaluate grantees during due diligence processes, sometimes resulting in their ineligibility for funding, is having financial reserves; however, insufficient indirect cost coverage limits the functioning and development of organizations' core operations that support financial management and fundraising – which negatively impacts their ability to build those reserves.

1D. Key insights: Whose indirect costs?

In addition to challenges related to IDC calculations and categories, there are unresolved issues pertaining to several "categories" of grant recipients that emerged during interviews.

International organizations

Funding international organizations is inherently complicated as it entails navigating different legal systems. At MacArthur, there are ongoing efforts to explore how it can apply its indirect cost policy more evenly and equitably to organizations abroad, taking into account context-specific challenges related to different tax and legal constraints. Currently, international organizations with 501(c)(3) equivalency determinations are eligible to receive the 29 percent IDC rate. Those without it are treated on a case-by-case basis.

"Intermediaries" – sub-granting and fiscal sponsorships

Organizations that mobilize and channel resources from larger funders for sub-granting chronically under-recover their indirect costs. There are misperceptions that this work is low-effort, requiring low IDC coverage or a small fee. In actuality, it takes immense internal resources to not only finance groups but also accompany them with other critical support related to capacity building and organizational development. The same applies to nonprofits that act as fiscal sponsors. When funders provide restricted funding to such organizations, they are faced with the difficult decision, or sometimes do not have a choice at all, to pass those restrictions along to their partners.

Research institutes at universities

Research institutes based at universities are considered by numerous funders to be exceptions to indirect cost policies and tend to receive lower rates. For some funders, this is to "protect" funding for the institutes as indirect costs tend to go to the larger hosting university while project dollars go to the research centers. They considered this the best way to maximize funds for them. For others, the rationale is that universities have greater access to funding generally, so higher rates are reserved for nonprofits that do not have strong fundraising arms, large endowments, or sizable support from other sources.

The Robert Wood Johnson Foundation (RWJF), for example, is reexamining this exception as it has recently begun working with minority-serving institutes within university systems that are not well-funded and expressing a need for higher indirect rates.

2. Getting to an IDC rate and an implemented policy

2A. Commissioning research

Many funders emphasize the importance of having a "data-driven" approach to addressing the thorny issue of insufficient indirect cost coverage. Research has been extremely instrumental in a) understanding the scope and nature of the problem; b) informing the development of new policies; and c) gaining the support of others.

The True Cost Project Pilot – a study commissioned by the Ford, Hewlett, MacArthur, Open Society, and Packard foundations in 2018 – has played a role in the journey of many funders, whether they directly participated in it or not. The pilot entailed one-on-one consultations with existing grantees to verify their "true" indirect cost rates: ranging from 12 to 60 percent, with a median of 31 percent. This meant that funders were underpaying by an average of 17 percentage points. Each consultation lasted 8 to 12 weeks, costing between USD $16,000 to $31,000.

For Ford, the pilot validated its decision to launch the new 20 percent minimum policy in 2016. Because the pilot's approach was prohibitively time-consuming and expensive, MacArthur pivoted to develop a policy based on IDC rates shown to be financially healthy. Its 29 percent flat rate emerged from an analysis of IRS Form 990[3] data from 137,000 U.S. nonprofits to identify a "benchmark" rate associated with financial health. For Casey, the pilot sparked awareness among staff and was leveraged to secure leadership buy-in. The foundation's portfolio analysis, which used 990 data and demographic data collected from grantees, led to its three-tiered policy, ensuring smaller organizations and organizations of color would not be disproportionately underserved by a one-size-fits-all approach.

Limitations:
Concerns were raised by several funders about the limitations of relying upon 990 data as many nonprofits tend to "deflate" their overhead needs, assuming that lower IDC rates are more desirable to funders. Additionally, organizations may be underinvesting – i.e., the percentage in 990s may reflect their current practices, rather than an "ideal" IDC rate that would enable them to achieve and maintain financial health. As such, additional data should be collected and utilized to better understand the financial health of grantees and craft policies and interventions that address them.

A related note:
In addition to commissioning research to identify IDC issues and develop solutions, resources can and should be deployed to help grantees determine their true IDC rates after years of under-reporting and under-investing in organizational functioning and growth. For example, as a result of the True Cost Project and other work of the Funders for Real Cost, Real Change (FRC) collaborative, several funders have hired consultants to work with grantees to assess and improve their financial health. (see section 4B)

2B. Stakeholder engagement

Internal stakeholders: Some funders have made concerted efforts to involve staff in the development of new policies and practices, which ensures interventions meet their needs and have their support. For example, MacArthur held focus groups with staff from different departments to workshop drafts of the new IDC policy. At Avina, meaningful engagement with staff through multi-level task forces and foundation-wide town halls are central to its feminist approach, creating space for open conversations and horizontal decision-making.

Grantee partners: For some funders like Avina, working closely with and being reachable to grantee partners are part of day-to-day operations. The foundation has organic feedback loops that enabled it to be in touch with the needs of the organizations and devise a policy suited to them. For others, creating formal opportunities to gain feedback was more appropriate and feasible. In addition to staff focus groups, MacArthur also workshopped drafts of the IDC policy with U.S. and international grantees with different organization types and budget sizes.

External experts: Many funders have utilized the expertise of consultants to conduct different types of research, assess grantmaking processes to identify bottlenecks and inefficiencies, and contribute to the development of new policies and tools to improve flexibility and equity in grantmaking.

Other funders: The five-funder collective that launched the True Costs project in 2016 later evolved and expanded to become the Funders for Real Cost, Real Change (FRC) collaborative. As evidenced by this very project, engaging other funders to both identify problems and develop effective solutions can be highly effective.

[3] Form 990 is a U.S. Internal Revenue Service (IRS) form that provides the public with financial information about a nonprofit organization.

3. Implementing change

3A. Internal awareness-raising and training

All of the funders interviewed highlighted the importance of not simply implementing new policies but shifting mindsets around flexible grantmaking and indirect costs – i.e., a low rate is not a more desirable rate – and changing organizational culture to a) realign themselves with their stated principles; b) build trust with their grantee partners; and c) address power imbalance in the funder-grantee relationship.

Examples:

- At Ford, program officers were trained to actively engage grantee partners in deeper conversations and undertake new responsibilities related to assessing – and reassessing over time – the financial health of organizations to determine the best type of support. The foundation also worked with external partners to develop a financial health analysis tool for grants management staff.
- At MacArthur, staff were sensitized to the issue of power dynamics and trained in how to implement the new directive, including how to communicate it to grantees and address concerns. The foundation's centralized grants management helps facilitate consistent domestic rollout of the policy as program officers and grants management staff sit together and can quality check from both vantage points.
- Oak is employing a suite of "soft tools" to guide staff, including peer learning, professional and financial training, strong messaging from leadership and trustees, and sharing success stories from partners.
- At Avina, program officers are trained to approach their work with "radical honesty" and "radical transparency" and to ask the right questions to ensure their partners' needs are embedded in proposals and continue to be met throughout project cycles.
- At the Packard Foundation, external experts were brought in to implement trainings for program officers, as well as develop an e-learning course on how to read nonprofit financials.
- At the RJWF, program financial analysts sit on different teams and are primarily responsible for reviewing grants. They have also trained their peer program officers to identify red flags related to financial health.

Funders also expressed the importance of routinely checking in with staff to gain feedback on the implementation process to respond to shifting needs, address concerns, and maintain broad support for the changes being made. For example, program officers may struggle to adapt to or keep up with new financial analysis tasks. Additional training, or even shifting some responsibilities back to grants management and finance teams, may be necessary.

3B. Grantee awareness-raising and technical support

Many nonprofit organizations operate with the mindset that a low IDC rate is a good rate because that is what has historically been signaled to them, both explicitly and implicitly. It's critical for funders to be transparent about new policies, effectively communicate and clarify them, and actively challenge misperceptions that they are not open to funding the true costs of projects. Otherwise, grantee organizations will likely continue to refrain from vocalizing their needs for fear of potentially jeopardizing their funding.

Communication and transparency support the uptake of new policies by grantees, as well as motivate and set good examples for other funders. Several funders interviewed have their indirect cost policies on their websites. Ford's FAQ directs organizations to a set of resources developed by BDO-FMA and those on the Funding for Real Change website. MacArthur uniquely had a communications push before the launch of the policy; it issued a press release, sent explanatory emails, and published the policy, FAQ, budget examples, and other resources on its website. The foundation also provided technical assistance to grantees, including through interactive webinars.

3C. Paying for the policy

Increasing indirect cost coverage in project grants generally necessitates one (or a combination) of the following: increasing the grantmaking budget, decreasing the number of grants allocated, or reducing the direct costs in individual grants. Casey uniquely absorbed the cost of implementing its new policy by increasing its annual grantmaking budget. For other funders, it remains a challenge to be grappled with at the program level. That does not necessarily mean organizations are being left behind, though. Some funders may, for example, supplement project grants with general operating support or other flexible funds to make up for reduction in direct costs.

4. Other practices to support grantee health

Across all funders interviewed, changes related to indirect costs did not occur in a silo but were – and continue to be – part of a constellation of practices, policies, and programs aimed at increasing flexibility in grantmaking and more holistically supporting the health and sustainability of grantee partners.

4A. Increasing general operating support

Since 2016, the proportion of Ford's grantmaking in the form of general or core support has gone from 36 percent to 81 percent. At MacArthur, general operating support grants have doubled since 2019. At Oak, core support increased to 42 percent of its grantmaking in 2021, up from 22 percent in 2013.

4B. Supplementing project grants

Organizations must be resilient and able to respond to community needs over time in order to achieve long-term impacts and sustainable change. They cannot be fuelled solely by project grants, even those with substantially higher indirect cost rates. Nonprofits need direct investments that support their functioning and growth, which in turn enable them to be more effective. These costs are equally as important as those related to project implementation. As such, funders are increasingly supplementing project grants with unrestricted support and/or providing grants for organizational development. At RJWF, for example, additional funds can be built into grants to engage consultants to create a business plan or even act as temporary CFO. Fondo Semillas, a women's fund based in Mexico, credits Oak with its ability to provide flexible funding to its grassroots partners; the foundation encouraged Semillas to use a significant portion of one of its grants for strategic planning and institutional strengthening.

Packard has established the Resilience Initiative, a grant to Rockefeller Philanthropy Advisors to take calls from grantees and provide guidance across numerous issues – spanning finance, safety and security, mental health, and other needs.

Civil society organizations interviewed, like YHFG, highlighted the importance of supplementing project grants with funds to attend trainings, networking opportunities, and regional and international forums to elevate their visibility among high-level stakeholders and funders they would not otherwise have access to. Onelife Initiative also appreciated funders' direct investments in infrastructure and information systems, like solar panels to replace gas generators for electricity and Quickbooks to replace reliance upon Microsoft Excel for accounting purposes.

4C. Grantee convenings and cohort programs

Many grantee organizations expressed the importance of participating in convenings and cohort programs. Avina, for example, leverages its wide network to connect its partners with similar organizations, creating new pathways for dialogue, exchange, and cooperation. MacArthur grantees participate in convenings to build relationships with one another through peer learning and knowledge exchange. The BUILD program at Ford provides five-year unrestricted and institutional strengthening grants to select grantees who engage in cohort-based learning and are equipped with technical assistance, evaluations, strategic communications, and funder engagement.

4D. Streamlining grantmaking operations

Several funders highlighted how they have streamlined their grantmaking process to be less onerous for their grantee partners. Ford and Casey have made efforts to ensure they only collect information from grantees they truly need and will use, as opposed to making unreasonable requests that are unnecessary administrative burdens. Civil society interviewees noted that requesting a concept note at the outset of the application process is also extremely beneficial. That way, if they do not make it through this initial round of review, they will not have wasted precious time and resources on developing a full proposal.

4E. Investing in nonprofits that support the resilience of their peer organizations

Numerous organizations interviewed highlighted their work related to financial resourcing – through sub-granting and fiscal sponsorship – and nonfinancial support to improve the sustainability and efficacy of grassroots groups. As such, when funders invest in them – and adequately cover their indirect costs – it has multiplier effects throughout the nonprofit ecosystem. For example, women's funds like CFW are the resourcing arm of feminist and other social justice movements, as well as underfunded organizations that serve marginalized populations – including women, girls, and trans and nonbinary people, particularly people of color. CFW also strengthens local nonprofit leaders through programs like the Women's Leadership Development Initiative.

CCFY's mission is to empower and build the capacity of grassroots faith and neighborhood organizations to develop effective, community-driven alternatives to youth incarceration. Its Youth Justice Capacity Challenge provides grassroots groups with grants to work collaboratively with CCFY, as well as training, technical assistance, joint planning with juvenile justice system stakeholders, and connections to local philanthropies.

5. Evaluating IDC policies and continuing to evolve

A commonly shared sentiment among funders interviewed is that the journey to improving IDC should be ongoing – continuously thinking through how their nonprofit partners can be better supportedThey are committed to evaluating the impacts of their policies, being responsive to changing circumstances, and continuing to evolve.

- Both Ford and Avina have increased their IDC minimums based on internal evaluations.
- In 2021, MacArthur conducted interviews with grantees and staff to understand the initial impacts of the new policy. Grantees shared how the higher rate enabled them to fill critical funding gaps from grants with lower indirect cost rates; subsidize under-funded activities; cover non-program staff expenses; and increase investments in fundraising, grants management, and administrative functions. The foundation is currently implementing a new round of focus groups to reevaluate the policy.
- Although Casey does not require grantees to calculate their IDC rates, it plans to compare the amounts they were provided in grants based on their "tier" to their final reports to understand whether organizations are making use of the full amount.

6. Other key trends from interviews

6A. The impact of COVID-19

Many funders made significant changes to grantmaking operations during the height of the COVID-19 pandemic, including extending deadlines, converting project funds to unrestricted support or repurposing them for organizational development, and providing additional funds for relief efforts. The pandemic also validated the importance of their work to improve indirect cost coverage. For many nonprofit organizations, this was proof that philanthropy can – and should be – done differently.

This was not a universally shared experience, though. Several organizations interviewed shared how some funders have become increasingly inflexible, pushing back on indirect costs to maximize dollars spent directly on programs. Others have pulled funding due to their own financial setbacks or shifting priorities. This has also impacted the rollout of new indirect cost policies; some funders participating in the FRC that hoped to make significant changes have reported delays or even decided to return to their previous policies.

6B. The faces of philanthropy

An important theme that emerged during interviews was the salience of identity – both individual and institutional – in how philanthropy is practiced and continues to evolve as a sector. Race, gender, class, and other facets of identity influence both how people and organizations fund and are funded. For example, Avina attributes its trust-based, highly collaborative grantmaking approach to its identity as a Latin American, Global South, and feminist funder. It often supports small and/or unregistered organizations, including those that are aligned in its feminist principles, that tend to be overlooked by traditional funders.

SImilarly, a through-line in CFW's story is the intersection of gender and race. There are parallels between its experience as an under-resourced but empathetic and trusting funder led by a women of color and the hardships faced by its nonprofit partners that champion issues related to women, girls, and trans and nonbinary people, many of whom experience compounded marginalization based on their race.

For Twaweza, a key enabler of its ability to attain flexible funding from the outset was that its founder not only had technical expertise in the field of government accountability but also the reputation as a force to be reckoned with based on his track record of successful and high-visibility efforts, his confidence, and his level of education. Gender may also have been a factor as men tend to have greater opportunities and are perceived and treated differently.

In CCFY's experience, greater racial diversity among program officers and changes in foundation leadership have resulted in decision-making led by individuals more familiar with its grassroots context, committed to improving funder-grantee dynamics, and motivated to implement institutional reforms to facilitate trust-based relationships. However, there is recognition that nonprofits led by people of African descent, as opposed to those who are (or appear to be) Latinx, may face greater barriers in certain contexts. Part of CCFY's approach to sub-granting entails encouraging funders to work directly with sub-grant recipients. When they increase their interactions with people who are socially, racially, and culturally different from them and become familiar with their work, they are more likely to support them in the future.

Indirect Cost Coverage is a step towards multi-year flexible funding, core support, and true partnerships

EDGE Funders, Ariadne, and many funders advocate for a future in which multi-year flexible funding becomes the status quo. Multi-year flexible funding shifts power to grantees, enabling them to drive decision-making processes; build long-term strategies responsive to the needs of their communities, not those of funders; and invest in infrastructure that supports their sustainability and resilience . However, shifting power is not easy considering the history of philanthropy, that it has been built upon inequality and extraction. For multi-year flexible funding to become the norm, a systemic change lens is needed. This entails a long, hard process that organizations like EDGE and Ariadne are working towards.

For now, they acknowledge that change takes time and can manifest in different ways; it is not an "all-or-nothing" scenario. Shifting power and building trust can also be practiced within project-restricted funding in the ways discussed in this report. The funders interviewed for this project share the common goal of strengthening grantees' financial health and resilience and the understanding that improving indirect cost coverage in project grants is not merely about policy change. It is about getting to know the needs of grantees and becoming equal partners throughout their journeys. Challenges remain and progress is nonlinear. But over time, funders are developing and scaling new ways to be responsive to their grantee partners' needs and create enabling environments for mutual trust.

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