

Ending family homelessness in the Puget Sound area is a core objective of the Bill & Melinda Gates Foundation. Since 2000, the foundation's Pacific Northwest Initiative has worked with private and public partners to bring extensive resources to bear. Preventing homelessness of children and their families is no small challenge, but the partners are devoted to making it happen. Serving as the foundation's closest associate and the network connector of this ambitious effort is an intermediary organization, Building Changes. "The short answer is: we're not an operating foundation, so we don't, by definition, roll up our sleeves and do all the work in the field ourselves," says David Wertheimer, deputy director of the Pacific Northwest Initiative. "The longer answer is: because we're not an operating foundation and aren't creating internal infrastructure, we have to figure out how best to engage with the community to promote systems change. You can't just ask different systems to change. A change agent or boundary spanner is essential — resources must be targeted to the work of making change happen. That's the essence of Building Changes' intermediary role." The Gates Foundation works with other local intermediary organizations, including Thrive by Five on an early learning project, and Philanthropy Northwest for a program to build the capacity of community foundations. But the partnership with Building Changes is its largest and most significant. Building Changes brings together three sectors — philanthropy, government and service providers — to align funding, share best practices and advocate for policy change. Along with technical assistance, advocacy and evaluation, it is a regrantor — awarding \$3.3 million in fiscal year 2012. Building Changes required, requested and received funds to build its own capacity. Alice Shobe, Building Changes' executive director, described why this additional investment was essential. "When we first negotiated with Gates seven years ago, we talked with their other intermediaries. They said: don't underestimate what they are asking you to do. Ask them for the support you'll need to do it. So, we asked the foundation to pay for doubling our space as we doubled our staff, to pay for business planning and related organizational development, and, in anticipation of a different future (Gates support is a large portion of our annual budget, which isn't sustainable), we also negotiated matching money to help us transition to a new funding model. If we had not taken these steps, meeting the foundation's wishes would have flattened us long ago." Wertheimer said this funding "represents some of Gates' best efforts to promote the capacities and alignment of our partners — vital measures for tackling what are too often considered intractable social issues." Grantmakers often rely on intermediary organizations when they need help making grants — whether on issues that are new or unfamiliar, in communities where they lack meaningful connections, to fund charitable groups that are challenging for a foundation to support directly, or to coordinate co-funding arrangements. Intermediaries receive funding to regrant and, often, to provide a host of services to nonprofits, communities and the grantmakers themselves. A Grantmakers for Effective Organizations survey of 28 intermediary organizations found that most are satisfied with their partnerships with grantmakers. But the intermediaries also identified grantmaker practices that can get in the way of their effectiveness and, by extension, jeopardize the aims of the funders that have engaged them. This briefing is for grantmakers who want to understand how grantmaking intermediary organizations — some of whom consider themselves grantmakers first and intermediaries second — operate and view their work with funders. In it, we suggest ways that grantmakers can increase the odds that their partnership with intermediary organizations will be consistently productive and share recommendations from intermediaries about how grantmakers can ensure that intermediaries can apply their best efforts on the funders' behalf. Above all else, grantmakers must craft and sustain the most appropriate relationships with the intermediaries with whom they work. When grantmakers turn to intermediary organizations to serve as regranters, they should carefully consider what expertise they need and seek out intermediaries with those qualifications. Depending on the tasks to be accomplished, one or more of the following kinds of intermediary expertise and skill may be essential: deep expertise in one or more specific issues or places; well-established relationships with specific nonprofits or community groups; a proven grants strategy; grantmaking skill; organizational capacity to manage money, often including the ability to manage a large number of small grants; and ability to manage multiple, often complex relationships. Intermediaries interface between the grantmakers that fund them and the ultimate beneficiary: on-the-ground grantees — usually nonprofit, community or nongovernmental organizations. Many times, intermediaries reach smaller grassroots organizations that have a difficult time being known to foundations or, for various administrative or logistical reasons, have a hard time receiving funds from U.S. foundations. An intermediary's competencies and capacity can allow a foundation to keep its own operations lean while

still addressing issues and places that matter but that it would not otherwise be able to address. There are many kinds of intermediaries. Individuals (consultants) can fill an intermediary role, as can organizations, both nonprofit (including public foundations, donor-advised funds, funders collaboratives and certain philanthropic advisors) and for-profit. This briefing focuses on regranting nonprofit intermediary organizations. Some were created to be intermediary organizations, while others include work as intermediaries as a secondary line of business that helps advance their main agendas. The terms 'grantmaker' and 'intermediary organization' are not mutually exclusive (though this briefing will use them as though they were, for simplicity's sake). Public foundations often serve in both capacities, raising unrestricted dollars as well as serving an intermediary function for other funders. The Proteus Fund and Ms. Foundation for Women are two examples of organizations that are both grantmaker and intermediary. In co-funding or collective impact efforts, intermediary organizations are also sometimes called 'backbone organizations.' Grantmakers are taking a renewed interest in co-funding and 'collective impact' efforts and they are turning to intermediaries for support. In these scenarios, intermediaries (also referred to as 'backbone organizations' in FSG's 'Collective Impact' article) often play a critical role in managing relationships in addition to grantmaking. The intermediary may help facilitate the development of a shared vision and strategy among participating grantmakers and other stakeholders. The Challenge Fund for Journalism initiative was born of a group of funders who shared an interest in supporting high-quality reporting from nonprofit media organizations and helping these groups strengthen their fund-development capacity and achieve long-term sustainability. TCC Group served as the intermediary for the initiative, managing all aspects of the program, including the application and screening process, preparing funding recommendations, grants management and monitoring grant compliance. In addition, TCC Group coordinated and facilitated the capacity-building assistance grantees received as part of the initiative. Intermediaries are complex entities, often engaging in diverse activities, juggling varied revenue sources and managing complicated relationships with grantees, donors and funders. Understanding their many moving parts helps grantmakers relate to them respectfully and appropriately. Most intermediaries have complex revenue sources. One example is the Global Fund for Children. It solicits and receives annual support in the form of corporate and foundation grants, but it also raises money from individuals (through direct solicitation, mail appeals and special events) and earns revenue (from book sales, rental income and investments). Many intermediary organizations have a dozen or more funding sources, which can also include government and philanthropic advisors. Intermediaries typically are engaged in a range of diverse activities. In addition to regranting, many also help build the capacity of their grantees and engage in field-building activities — which can include coordination, convening and training across a field or building infrastructure that strengthens an area of work. The BEST Project in Flint, Mich., for instance, provides grants for technical assistance and capacity building to local groups. It also offers organizational assessment services, a nonprofit leadership institute and nonprofit management assistance. Other intermediaries conduct evaluations and research, manage funder initiatives and provide fiscal sponsorship or back-office administration to benefit other nonprofits. As a result, they are adept relationship brokers, a skillset that is particularly critical when projects include many collaborating funders. Like other nonprofits, intermediaries typically receive restricted grants or, less often, contracts to support specific projects. However, in some instances, intermediaries may also receive general operating support. Occasionally, they seek and receive grants that augment their own capacity, as has been the case for Building Changes. Intermediaries are active in the United States, with many also working in Asia, Africa and South America, and less commonly in other parts of North America and Europe. The Women's Funding Network supports and connects 160 women's funds — public and private foundations and funds within community foundations — from Arizona to Wyoming and from Bangladesh to South Africa. Grantmakers Turn to Intermediary Organizations When They Need or Want To: disburse money — often, large sums to be distributed as smaller or specialized grants; tap a skill set, knowledge or technical capacity that doesn't exist within the foundation; place development and management of a foundation initiative in external hands; benefit from an independent perspective or place-based expertise; work with other funders in a grantmaking collaborative; acquire credibility by associating with an expert; or try out a strategy used by an intermediary. Regrants via an Intermediary Organization Can Help Grantmakers To: mitigate risk or provide cover for potentially controversial grants; demonstrate a segregation of responsibilities between the source of funds and the regrantor; ease a foundation's exit from a funding program; and reduce the funder's overhead. When asked, intermediaries report that they are generally happy with the work they do with grantmakers. They are

able to apply their particular expertise — their value proposition — most or some of the time. Relationships with grantmakers are often strong and grounded in shared expectations and understanding. Intermediaries say that most of the time there is a clear role definition between them and their grantmaking partners.

Intermediaries also had a great deal to say about how grantmakers sometimes inadvertently make it challenging for them to bring their best work forward and about how grantmakers can best augment the intermediaries' effectiveness. Many identified issues related to funding as significant problems, with inadequate or inflexible funding limiting intermediaries' impact. A leader of one highly regarded intermediary said, 'All our funding is for programs, not for core support. It's hard for us to take leaps forward.' Unanticipated, midstream changes at foundations also prove challenging for intermediaries. More specifically, intermediaries pointed to difficulties when shifts in funding priorities follow leadership transitions and the disruptions in continuity and understandings when a lead foundation contact to an intermediary departs the scene. The great majority of comments about hindrances were about relationship problems. 'These relationships are a two-way street. It takes developing trust, understanding organizational vision, mission, and values, and an honest assessment of each [throughout] the duration of the work or relationship — and that takes time, commitment, and resources.' Intermediaries urged grantmakers to use the following practices to support intermediary effectiveness: 1. Create and maintain relationships carefully designed to meet the needs and expectations of grantmaker and intermediary organization. 2. Once relationship and strategy are set, focus on the big picture while exercising fiduciary responsibility. 3. Put the foundation's needs and preferences in context with those of partners. 4. Dedicate sufficient time and construct frameworks and a schedule for regular, explicit and productive communication for the duration of the relationship. 5. To reap the benefits of the intermediary's expertise, listen to and learn from its on-the-ground perspectives. Invite and apply candid feedback. 6. Be a steady partner. 7. Support the intermediary organization's capacity as an essential step toward building the field you are committed to. Provide adequate funding for the work and introduce intermediaries to other grantmakers with similar interests. Consider flexible funding and a range of kinds of support: general operating, multi-year grants and grants for organizational development, including support for building the capacity of intermediaries and for strategic planning. An intermediary commented, 'Outcomes-focused funding, rather than program-focused — a willingness to invest in our capacity - truly supports our effectiveness.' 'Sometimes it's not clear what our role is as intermediary.' An appropriate relationship, well structured and tended, is the most important way that grantmakers can enhance intermediary effectiveness — and as a result, their own. No single form of relationship suits every instance of grantmaker and intermediary's working together. Many variables influence the nature of the relationship, including the duration and scope of work to be accomplished, the organizational culture of both parties, the urgency of the program or project, both parties' familiarity with the business at hand and the degree of efficiency that the grantmaker seeks. It's when grantmakers — or intermediaries — are not intentional about the choices they make that things go awry. We offer three models of grantmaker-intermediary relationships for funders to consider as they determine their needs and preferences and have explicit conversations with prospective intermediary organizations: outsourcing, autonomous and partnership. ****OUTSOURCING**:** The outsourcing model works well for grantmakers who need specific tasks done by another qualified entity. The grantmaker may have the proficiency and expertise needed to do the work but simply lack the time or immediately available staff resources. Or the grantmaker may need an intermediary on the ground in a place where it can't otherwise quickly react. In the outsourcing model, the grantmaker seeks an intermediary with a compatible grantmaking strategy. Often the emphasis is on speed, and the grantmaker most values an intermediary organization's technical ability to conduct due diligence and its organizational capacity to deliver the grants, while the intermediary's other expertise and skill are not as important. A classic example is post-disaster relief in a part of the country or world not well known to a grantmaker. The outsourcing model is more transactional than relational and is usually time limited; in its simplest form, it is sometimes referred to as 'pass-through' grantmaking. However, grantmakers must be sure to adhere to IRS rules to avoid earmarking. David Crook, development director of the STARS Foundation, an intermediary that provides unrestricted grants to strengthen effective organizations, commented, 'We are careful to gain mutual understanding of the strengths and limitations of the approach that we offer as an outsourcing solution to other grantmakers.' Some intermediary organizations choose not to serve as intermediaries when the relationship is purely transactional, because they prefer to add intellectual or strategy value. ****AUTONOMOUS**:** The autonomous model is used by grantmakers who

want to tap more dimensions of an intermediary's proficiency and who want to do so with limited investment of their time. In this model, implementation is largely in the hands of the intermediary, who reports at agreed-upon intervals to the funder. Initially, both parties may engage in discussion and decision-making as grants or a grant program are designed, but autonomous relationships work best when the grantmaker is interested in trying out the intermediary's grants strategy and believes the intermediary has the capacity to find solutions and get money to the solutions that the grantmaker couldn't. A grantmaker described the value of an autonomous relationship: 'The intermediary has expert staff with experience in areas I grant in, and the staff have relationships on the ground and can also help connect me to people I don't know. They have been great advisors to me and other donors, and can provide a face administratively. It doesn't take a lot of time and effort on my end.' After the Deepwater Horizon/BP oil spill in the Gulf Coast in 2010, an anonymous funder sought assistance from Rockefeller Philanthropy Advisors to award \$20 million on its behalf for Gulf Coast recovery grants. RPA met with local funders, leaders and community organizations to identify the most pressing needs for the region. RPA then created a grantmaking program that awarded funds to community foundations in hard-hit states, which in turn used their community expertise to allocate funding to local nonprofit groups. In contrast to the outsourcing model, in this relationship RPA's guidance and on-the-ground assessment shaped the funder's strategy. RPA then developed the project and provided the skills needed to identify, appropriately fund and evaluate the impact of competent grantees. ****PARTNERSHIP**:** In the partnership model, a grantmaker draws on the knowledge and capacities of the intermediary, with more frequent and intense grantmaker-intermediary engagement over the course of the relationship. Authority and tasks are differentiated, but the partners co-create what is often a longer-term, more complex program or portfolio. As in the autonomous model, the intermediary contributes strategic and tactical value, beyond simply carrying out the grantmaker's vision. However, shared development and direction mean that intermediaries exercise less influence in a partnership model. The relationship described earlier between the Gates Foundation and Building Changes fits the partnership profile. Partnership model relationships are both rich and potentially complex. They may include multiple partners from different sectors with complementary strengths and interests. Marty Campbell of the Resources Legacy Fund — an organization that engages foundations and philanthropic institutions to design and execute large-scale conservation initiatives — described what a multifaceted intermediary can bring to a partnership model: 'When it works best, the relationship is one of peers who bring different assets to the table. As an example, RLF brings programmatic, policy, and political expertise, related to conservation, that the foundations that fund it don't likely have in-house. RLF provides value to its foundation partners by significantly augmenting their capacities in particular areas.' 'We identify strategic opportunities; draw on our staff, consultants, and networks for perspectives and expertise; and help frame and advance specific, measurable outcomes.' Many intermediary organizations describe their preferred relationships as 'partnerships.' But the degree of engagement required to collaborate and the number of grants received by intermediaries suggest that this aspiration must be thoughtfully managed. The most effective intermediaries are engaged in relationships that range along a continuum of involvement with grantmakers. This is true for intermediaries serving as backbone organizations or those engaged in co-funding initiatives as well. Many intermediaries have some grantmaking partners who are very closely involved and others who contribute dollars but don't otherwise participate; they simultaneously engage in an array of models in response to funders' needs and interests. Likewise, a grantmaker would be challenged to be deeply engaged with more than a few intermediary organizations at a time. The models are not as perfectly distinct in practice as implied. Rather they play out across a relationship spectrum. Over time, relationships may evolve, so what began as a trial outsourcing relationship, if all goes well and the need arises, may be reshaped as an autonomous or partnership relationship. The models are offered to help grantmakers think about what they are seeking in their work with intermediaries and what their options are for working in tandem. A grantmaker's choice of one model over another hinges on two important considerations: grantmaker-intermediary involvement and intermediary influence. Various other factors also influence choices about which model will best fit the situation — including the parties' roles, value proposition of the intermediary, scope of work, intended outcomes and benefits and downsides of each model to the grantmaker. The document provides detailed tables comparing the Outsourcing, Autonomous, and Partnership models across several dimensions: ****Roles**:** For Outsourcing, the Grantmaker directs, defines strategy, and the intermediary is an 'extra pair of hands.' In Autonomous, both sides bring assets, co-create strategy, but the intermediary leads, reports, and the grantmaker monitors. In Partnership, there is intense

strategic engagement, heavy consultation, multiple partners, and multiyear commitments. ****Intermediary value proposition**:** Outsourcing emphasizes technical/organizational capacity. Autonomous highlights a point of view, specialized skills, knowledge, or reach, and potential for multiple services. Partnership includes these but positions the intermediary as a collegial, strategic thought partner and co-actor, potentially offering 501(c)(4) expertise. ****Scope**:** Outsourcing is narrower, shorter-term. Autonomous is more expansive with varying time spans. Partnership is the most expansive and longer-term. ****Possible outcome(s)**:** Outsourcing results in specific, narrowly defined regranting. Autonomous can lead to reaching unreachd groups, testing new strategies, learning for the donor, and advancing the intermediary's mission. Partnership aims for significant impact from longer-term, deeper work, targeting systemic change. ****Benefits to grantmaker**:** Outsourcing offers efficient fund disbursement and conformity to specifications. Autonomous extends donor skills/knowledge, allows learning from the intermediary, and can be cost-effective. Partnership can generate breakthrough advances in strategic interests and intense engagement advances donor learning. ****Downsides for the grantmaker**:** Outsourcing carries the danger of IRS earmarking rules, little learning, and may be less satisfying for intermediaries. Autonomous requires substantial time to develop and manage relationships. Partnership demands significant and steady time commitment and places a premium on substantial accomplishment. What, then, is the right relationship between an intermediary and a grantmaker? It is one based on clear-eyed and explicit assessment by both about what is wanted and needed from this specific relationship and a clearly articulated, shared commitment to jointly agreed-upon results. 'This helps ensure that neither side is living in a fantasy!' The power differential between grantmaker and intermediary argues for funders to model and explicitly encourage intermediaries to join them in being transparent and clear. The right relationship is deliberately designed to support each party's success in attaining its goals. It is sustained by observance of agreements, with mutually acceptable modifications made as needed. The right relationship can be outsourcing, autonomous, partnership — or other. The point is to deliberately create and work within the relationship preferred by grantmaker and intermediary. Intermediaries say the single greatest impediment to their effectiveness is poor relationships with grantmakers. How do grantmakers form and support strong relationships? The following is a summary:

****STEP 1: Determine whether you should engage an intermediary.**** Identify and prepare to manage tradeoffs: the positives (such as enabling more extensive grantmaking via regranting) and negatives (decreased grantmaker contact with the field).

****STEP 2: Define your needs, goals and preferences for working with an intermediary.**** Do you want to outsource a set of grants, work with an expert to develop a strategy or program or explore and engage in an ambitious new initiative? Clearly define what is needed and wanted by your institution and the extent of your own capacity.

****STEP 3: Begin due diligence.**** Ensure organizational alignment between grantmaker and intermediary. Confirm the intermediary has the skills, resources, standing, and facility to carry out the task/s and represent the grantmaker or its goals. Be mindful of the potential for the intermediary to burnish or tarnish the grantmaker's reputation. Public perception that an intermediary acts for the foundation heightens the importance of a good match for many funders.

****STEP 4: Meet and talk with intermediary, to create shared understanding and a formal agreement – or move on.**** Gather and provide information. Ask and answer questions. If in alignment, formalize a mutually acceptable agreement to guide the work and the relationship. Include: a definition of the work; strategy; schedule; goals and impact; roles; how you will learn from the intermediary's work (if pertinent); nature, structure, and frequency of communication; evaluation measures; exit plan; your relationship, if any, with intermediary's grantees; your engagement with other grantmakers, if any, involved in the project; and how unexpected problems and opportunities should be addressed.

****STEP 5: Stick to the agreement during execution. Listen to feedback. Monitor, communicate, and learn.**** The agreement serves as the rules of engagement during implementation. For longer relationships, build in a way to periodically revisit values, agreements, and expectations – what's set at first won't hold forever. The agreement is altered as needed, by mutual agreement, to allow each party to fill its role and meet its responsibilities. Changes in staffing or organizational priorities can sorely test agreements. Reviewing them shortly after transitions can facilitate continuity, clarify challenges, and focus problem-solving.

****STEP 6: Review, then renew or conclude.**** Consider developing feedback mechanisms from the field to assess the intermediary's work from other perspectives. Additional resources for grantmakers, advice on international funding via intermediaries, and a list of intermediaries can be found at www.geofunders.org. 'It is hard to appreciate how difficult it is to build a shared understanding — it seems like it should be easy, but one always trips over the assumptions that you

didn't even know you were making.' The only way to avoid assumptions is to ask questions — many and often! Grantmakers who have highly successful relationships with intermediary organizations ask questions of themselves and their intermediary colleagues. You might use the following questions as conversation starters. They can be used at the beginning of a relationship (minus question number 5) or can be modified to serve as a midcourse assessment. 1. When your organization has served as an intermediary for a(nother) grantmaker, what has the grantmaker done that helped you do your very best regranting? What characterized the ways you worked together? 2. When you've had more difficult experiences, what has gotten in the way? 3. How might you advise a grantmaker just beginning to work with intermediary organizations to best design fruitful relationships? 4. What advice do you have about how to maintain relationships, particularly for collaborative efforts? 5. How would you rank the working relationship between your organization and mine on a scale of one (a sad state of affairs) to four (very effective)? If our relationship is not a four, how might we move to that rank? It's easy to jump the rails when the relationship and trust aren't there.' The key to success in grantmaker-intermediary relationships is no different, in basic principles, from success in relationships with other grantees or co-funders. But the stakes are high. Grantmakers need to make the time and effort to be intentional and invest in the relationship that is right every time. This work was informed by a research project GEO conducted for the Oak Foundation. We thank the Oak Foundation for sharing the research findings with the field. GEO thanks the following individuals for their input and feedback on this briefing: Jennifer Acree, BEST Project; Paulina Arroyo, Gordon and Betty Moore Foundation; Jessica Bearman, Bearman Consulting; Marty Campbell, Resources Legacy Fund; Meaghan Calcari Campbell, Gordon and Betty Moore Foundation; Alexandra DelValle, Groundswell Fund; Patricia Eng, Ms. Foundation for Women; Mae Hong, Rockefeller Philanthropy Advisors; Eric Kessler, Arabella Advisors; Kristin Lindsey, The Global Fund for Children; Alice Shobe, Building Changes; Mike Webster, Resources Legacy Fund; David Wertheimer, Bill & Melinda Gates Foundation. This publication was written for GEO by Alice Cottingham.