

Making the most of grantmakers' work with intermediaries. Grantmakers often work with intermediaries to extend their reach and impact. This publication offers insights from intermediaries about the grantmaker practices that help or hinder their effectiveness. This PDF is optimized for viewing online and includes helpful links and navigation. This interactive PDF has been optimized for you to view on screen. Though it is possible to print, we recommend printing the text only version available at www.geofunders.org. The menu to the right of every page allows you to quickly access a section of the document. The darker color indicates the section you are currently viewing. 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 partners to bring extensive resources. Building Changes serves as an intermediary organization. Why is an intermediary organization at the heart of the foundation's regional signature strategy? David Wertheimer, deputy director of the Pacific Northwest Initiative, states that as an operating foundation, they use intermediaries to engage with the community and promote systems change, targeting resources for change. The Gates Foundation also works with Thrive by Five and Philanthropy Northwest. Building Changes brings together philanthropy, government, and service providers to align funding, share best practices, advocate for policy change, provide technical assistance, advocacy, evaluation, and regrant (\$3.3 million in fiscal year 2012). Building Changes requested and received funds for capacity building, doubling space, staff, and organizational development, and negotiating matching money for a new funding model. This funding promotes capacities and alignment of partners for intractable social issues. Grantmakers often rely on intermediary organizations for new issues, unfamiliar communities, funding challenging groups, or coordinating co-funding. Intermediaries receive funding to regrant and provide services to nonprofits, communities, and grantmakers. A Grantmakers for Effective Organizations (GEO) survey of 28 intermediaries found most are satisfied, but also identified practices that hinder effectiveness. This briefing aims to help grantmakers understand intermediary organizations, offering ways to increase productivity and recommendations on ensuring intermediaries apply their best efforts on the funders' behalf. Grantmakers must craft and sustain appropriate relationships. Regranting Intermediary Organizations Defined: When grantmakers use intermediaries as regrants, they should consider essential expertise and skills such as deep issue/place expertise, established relationships, proven grants strategy, grantmaking skill, organizational capacity to manage funds and numerous small grants, and ability to manage multiple complex relationships. Intermediaries connect grantmakers and on-the-ground grantees (nonprofit, community, nongovernmental organizations), often reaching smaller grassroots groups or those with administrative/logistical difficulties receiving US foundation funds. Their competencies allow foundations to stay lean while addressing important issues. Intermediaries vary (consultants, nonprofits including public foundations, donor-advised funds, funders collaboratives, philanthropic advisors, for-profit). This briefing focuses on regranting nonprofit intermediaries. Some are created as intermediaries, others include it as a secondary business line. 'Grantmaker' and 'intermediary organization' are not mutually exclusive; public foundations serve both capacities (e.g., The Proteus Fund, Ms. Foundation for Women). In co-funding, they are sometimes called 'backbone organizations'. The Role of Intermediaries in Co-Funding and Collective Impact Initiatives: Grantmakers increasingly turn to intermediaries for support in co-funding and 'collective impact' efforts. Intermediaries ('backbone organizations') manage relationships and facilitate shared vision/strategy. The Challenge Fund for Journalism initiative used TCC Group as an intermediary to manage applications, screening, funding recommendations, grants management, compliance, and capacity-building assistance. Understanding How Intermediaries Work: Intermediaries are complex, with diverse activities and relationships with grantees, donors, and funders. Most have complex revenue sources, including corporate/foundation grants, individual donations, and earned revenue (e.g., Global Fund for Children). Many have a dozen or more funding sources. Beyond regranting, they build grantee capacity, engage in field-building (coordination, convening, training), and build infrastructure. The BEST Project (Flint, Mich.) provides technical assistance, capacity building, organizational assessment, and nonprofit leadership assistance. Other activities include evaluations, research, funder initiatives, fiscal sponsorship, or back-office administration. They are adept relationship brokers, crucial for projects with many collaborating funders. They typically receive restricted grants but may also receive general operating support or grants for their own capacity (e.g., Building Changes). Intermediaries are active globally (US, Asia, Africa, South America, North America, Europe). The Women's Funding Network connects 160 women's funds. Grantmakers Turn to

Intermediary Organizations When They Need or Want To: to disburse money (large sums as smaller/specialized grants); tap missing skills/knowledge/capacity; place initiative development/management in external hands; benefit from independent perspective/place-based expertise; work with other funders; acquire credibility; or try an intermediary's strategy. Regranting via an Intermediary Organization Can Help Grantmakers To: mitigate risk/provide cover for controversial grants; demonstrate segregation of responsibilities; ease foundation's exit from a program; and reduce funder's overhead. Intermediaries report general satisfaction with grantmaker relationships, valuing the application of their expertise and clear role definition. However, challenges arise from inadequate/inflexible funding ('All our funding is for programs, not for core support,' said one leader) and midstream changes at foundations (shifts in priorities, leadership transitions, lead contact departures). Relationship problems are the majority of hindrances. '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.' – GEO survey respondent. Intermediaries urged grantmakers to use the following practices to support intermediary effectiveness: 1. Create and maintain relationships carefully designed to meet needs and expectations of both parties. 'Spend as much time as needed to ensure you have the information needed to structure an effective grant/investment.' 2. Once relationship and strategy are set, focus on the big picture while exercising fiduciary responsibility. Trust in capacity, focus on higher-order goals, not individual grants; question micromanagement. 3. Put the foundation's needs and preferences in context with those of partners. Be flexible to changing conditions, avoid cumbersome reporting, and find alternatives to standard practices. 4. Dedicate sufficient time and construct frameworks for regular, explicit, and productive communication. Building Changes and Gates Foundation have standing meetings for exchange, consultation, accountability, and learning. 5. To reap intermediary expertise, listen to and learn from its on-the-ground perspectives. Invite and apply candid feedback; regranting intermediaries view themselves as peers and can offer honest assessment (Meaghan Calcari Campbell of Gordon and Betty Moore Foundation noting Tides Canada's independent voice). 6. Be a steady partner. Avoid mid-project changes; if unavoidable, provide candid information and jointly problem-solve. 7. Support the intermediary organization's capacity as an essential step toward building the field you are committed to. Provide adequate, flexible funding (general operating, multi-year, organizational development, strategic planning), and introduce to other grantmakers. 'Outcomes-focused funding, rather than program-focused – a willingness to invest in our capacity – truly supports our effectiveness.' An appropriate, well-structured relationship enhances intermediary effectiveness. No single form suits every instance; variables include duration, scope, organizational culture, program urgency, familiarity, and desired efficiency. Problems arise when choices are not intentional. Three models for funders to consider are: outsourcing, autonomous, and partnership. Outsourcing: For specific tasks by qualified entities when grantmaker lacks time/staff/local presence. Transactional, time-limited, often 'pass-through' grantmaking, valuing technical ability and capacity for due diligence and grant delivery. Grantmakers must adhere to IRS rules to avoid earmarking. Some intermediaries prefer not to serve if purely transactional, desiring to add intellectual or strategy value. Autonomous: Grantmakers tap intermediary proficiency with limited time investment. Implementation is largely by the intermediary, reporting at agreed intervals. Best when grantmaker wants to test intermediary's strategy and trusts its capacity to find and fund solutions. An intermediary often has expert staff, local relationships, and can advise donors, providing administrative ease. Example: After the Deepwater Horizon/BP oil spill, an anonymous funder used Rockefeller Philanthropy Advisors (RPA) to award \$20 million for Gulf Coast recovery. RPA's guidance shaped the funder's strategy, developing the project and providing skills for identifying, funding, and evaluating grantees, unlike a purely outsourcing model. Partnership: Grantmaker draws on intermediary's knowledge and capacities, with frequent, intense engagement. Authority and tasks are differentiated, partners co-create often longer-term, complex programs. Intermediary contributes strategic/tactical value beyond just executing the grantmaker's vision. Shared development means intermediaries have less influence than in autonomous models. The Gates Foundation and Building Changes relationship fits this profile. Partnership models are rich and complex, involving multiple partners. Marty Campbell of Resources Legacy Fund describes RLF bringing programmatic, policy, and political expertise that foundations may lack, significantly augmenting their capacities. Many intermediaries prefer 'partnerships,' but managing engagement levels is key. Effective intermediaries engage in relationships along a continuum. Models are not perfectly distinct and can evolve over time (e.g.,

outsourcing to autonomous or partnership). They help grantmakers clarify needs and options. The choice hinges on grantmaker-intermediary involvement and intermediary influence. Factors influencing model choice include roles, intermediary's value proposition, scope of work, intended outcomes, and benefits/downsides for the grantmaker. Roles: In Outsourcing, the grantmaker directs strategy and views the intermediary as extra hands. In Autonomous, both bring assets; they co-create strategy, but the intermediary leads, reports on learnings, and offers feedback, while the grantmaker monitors and evaluates. In Partnership, intense engagement is strategic and collaborative throughout execution, often involving diverse partners; tactics are intermediary-defined once strategy is set; multiyear commitments are common; partners' brand use adds strategic muscle. Intermediary value proposition: Outsourcing uses the technical skill and administrative capacity of capable intermediaries. Autonomous leverages an intermediary's point of view, specialized skills, knowledge, or reach, offering multiple services (regranting, incubation, policy advocacy). Partnership builds on autonomous value, with the intermediary as a collegial, strategic thought partner and co-actor, potentially providing 501(c)(4) or for-profit expertise. Scope: Outsourcing is narrower, shorter-term. Autonomous is more expansive, with varied time spans. Partnership is most expansive and longer-term. Possible outcome(s): Outsourcing achieves specific, narrowly defined regrants on behalf of the grantmaker. Autonomous moves money to unreached locations/groups, can be part of an exit strategy, tests new grantmaking strategies, fosters donor learning, and provides resources for the intermediary's mission. Partnership seeks significant, longer-term impact, potentially addressing policy or systemic change by pooling resources. Benefits to grantmaker: Outsourcing offers efficient fund disbursement and ensures outcomes conform to specifications. Autonomous extends donor skills/knowledge/reach without extra staffing, allows learning from the intermediary, and can be cost-effective. Partnership generates breakthrough advances in strategic interests through intensive investment and engagement, fostering donor learning. Downsides for the grantmaker: Outsourcing risks IRS earmarking rules (though fee-for-service contracts could increase administrative costs), offers little learning, and may limit intermediary choices due to low added value. Autonomous often requires substantial time to develop/manage relationships (though this lessens with trust). Partnership demands significant, steady time commitment from both parties, and substantial investment places a premium on significant accomplishment, with anything less risking being viewed as a failure. The 'right relationship' is based on clear, explicit assessment of needs and a shared commitment to results, encouraging transparency from both sides despite the power differential. It is designed to support mutual success, sustained by agreements and flexible modifications, and can be outsourcing, autonomous, partnership, or other, as preferred by both parties. Intermediaries highlight poor relationships with grantmakers as the biggest impediment to effectiveness. A 6-step process for strong relationships: STEP 1: Determine whether to engage an intermediary. Identify tradeoffs: positives (e.g., extensive regrants) vs. negatives (e.g., decreased direct contact). Resource: Checklist, pp. 40-41 in 'Toward More Effective Use of Intermediaries'. STEP 2: Define your needs, goals, and preferences for working with an intermediary. Clarify what your institution needs, wants, and your capacity (e.g., outsourcing grants, strategy development with an expert, ambitious new initiatives). Resource: Questions, p. 41 in 'Toward More Effective Use of Intermediaries'. STEP 3: Begin due diligence. Ensure organizational alignment, confirm intermediary's skills, resources, standing, and ability to represent your goals. Be mindful of reputational impact. Resource: List for intermediaries, pp. 13-15 in 'Partnering with Intermediaries'; for international grantmaking, p. 18 of 'International Grant Making'. STEP 4: Meet and talk with intermediary to create shared understanding and a formal agreement – or move on. Exchange information. Formalize agreement if aligned, covering: work definition, strategy, schedule, goals/impact, roles, learning process, communication structure/frequency, evaluation measures, exit plan, relationship with grantees, engagement with other grantmakers, and problem/opportunity handling. Resource: Issues to raise, p. 43 of 'Toward More Effective Use of Intermediaries'; for less experienced intermediaries, pp. 15-23 of 'Intermediary Development Series: Establishing Partnerships'. STEP 5: Stick to the agreement during execution. Listen, monitor, communicate, and learn. The agreement serves as rules of engagement; for longer relationships, periodically revisit values and expectations. Agreements are altered by mutual agreement. Reviewing after staffing/organizational changes helps continuity. STEP 6: Review, then renew or conclude. Consider feedback mechanisms from the field to assess intermediary's work. Resource: Suggestions for evaluating intermediaries, p. 44, of 'Toward More Effective Use of Intermediaries'. Additional Resources: Annotated bibliography on grantmaking guidance, international funding via intermediaries, and examples at www.geofunders.org. Building shared

understanding is difficult, as assumptions can go unnoticed. The only way to avoid assumptions is to ask many questions. Successful grantmakers consistently question themselves and their intermediary colleagues. Conversation starters for relationship beginnings or midcourse assessments include: 1. What grantmaker actions helped your organization with its best regranting? 2. What caused difficulties in challenging experiences? 3. How would you advise a new grantmaker on designing fruitful intermediary relationships? 4. What advice on maintaining collaborative relationships? 5. Rank the relationship effectiveness from one (sad) to four (very effective), and how to improve. David Wertheimer of the Gates Foundation notes, 'It's easy to jump the rails when the relationship and trust aren't there.' Success in grantmaker-intermediary relationships, like other funder/grantee relationships, requires intentionality and investment to make the right relationship every time, given the high stakes. This work was a research project by GEO for the Oak Foundation, which shared its findings. GEO thanks the following individuals for their input and feedback: Jennifer Acree, Paulina Arroyo, Jessica Bearman, Marty Campbell, Meaghan Calcari Campbell, Alexandra DelValle, Patricia Eng, Mae Hong, Eric Kessler, Kristin Lindsey, Alice Shobe, Mike Webster, David Wertheimer. The publication was written for GEO by Alice Cottingham. Grantmakers for Effective Organizations (GEO) is a community of over 400 grantmakers challenging the status quo to help grantees achieve more. GEO promotes strategies and practices for grantee success. More info at www.geofunders.org.