



TRUST-BASED PHILANTHROPY: Information for fundraising organizations

What is trust-based philanthropy?

Trust-based philanthropy is a funding approach where funders collaborate with philanthropic organizations or partners in a way that emphasizes mutual accountability. It seeks to challenge traditional power dynamics in the philanthropic sector, placing equality and the pursuit of a common goal at the center. Trust-based philanthropy centers the needs of communities. Through learning, reciprocity, and transparency, philanthropic partners can tackle complex issues together.

Organizations that work with trust-based philanthropy adhere to the following principles:

- Multi-year, unrestricted funding.
- Do your homework. Know what you are talking about and understand what the issues are, so that grantee organizations don't have to explain them.
- Minimize the burden of grant-related applications and reporting.
- Be transparent and open, focus on building relationships with grantee organizations.
- Be receptive to feedback on the organization and how it operates, and act based on that feedback.
- Provide support and resources that grantee organizations need, not just funding.

Sources: [1](#),[2](#)

Multi-year, unrestricted funding

What is unrestricted funding? First of all, as can be seen by Figure 1, there are not only two opposing or mutually exclusive options.

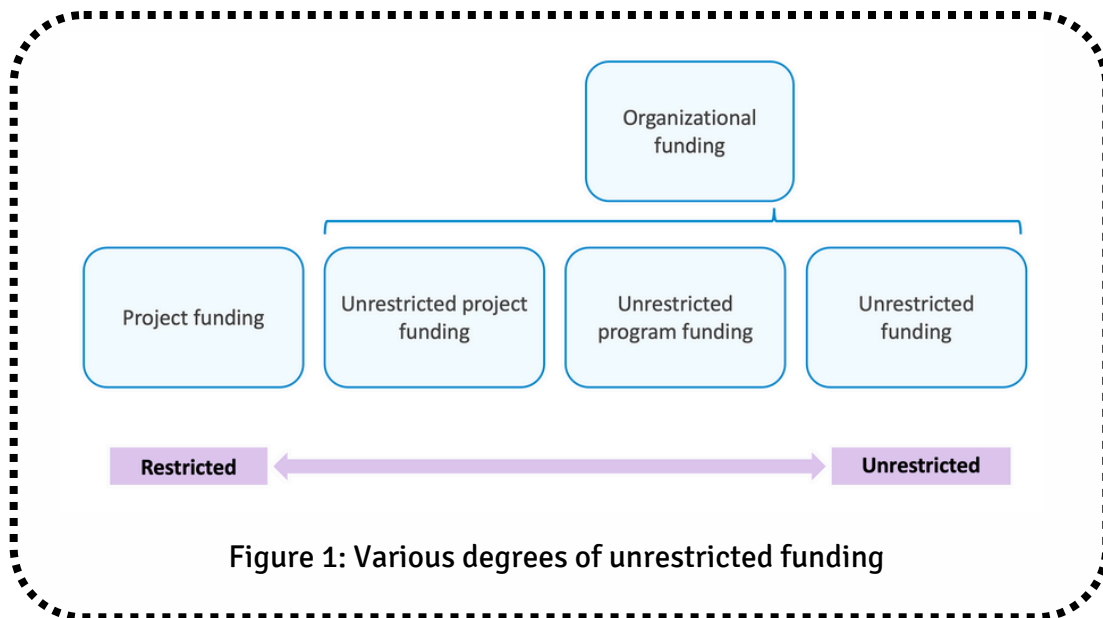


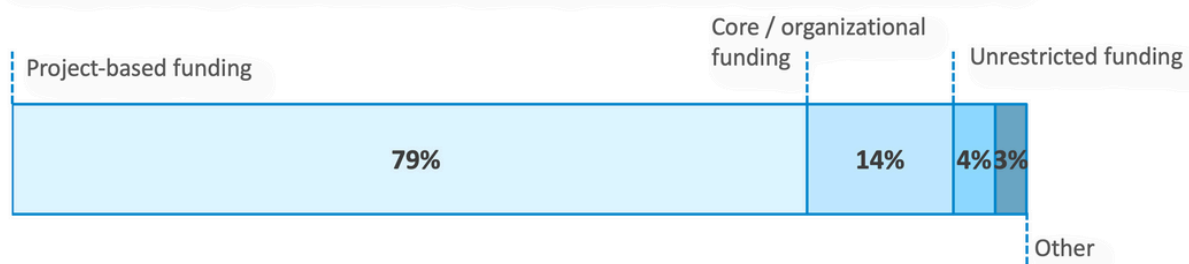
Figure 1: Various degrees of unrestricted funding

Figure 1 shows how there are various degrees of unrestricted funding, ranging from completely restricted (project funding) to completely unrestricted, where grantee organizations can decide for themselves how, on what, and over what period they spend the funding. Other forms of unrestricted funding include, for instance, unrestricted project funding, where organizations are free to choose how they spend the money within a certain project without needing to specifically justify it. There is also unrestricted program funding, in which an organization receives funding for a specific theme or portfolio. A special role is given to organizational funding (also ‘core funding’ or ‘capacity funding’). This type of funding has different degrees of unrestrictedness. Some organizational funding contains many criteria and conditions that the grantee organization must meet (for instance, the funds must be spent on IT or staff training). Therefore, organizational funding is not automatically unrestricted funding.

Project funding is the status quo in the Netherlands (as well as in other countries)

An exploratory study in Giving in the Netherlands 2024 shows that 93% of the surveyed foundations provide project funding, 50% provide organizational funding, and 21% provides some form of unrestricted funding. When looking at the total expenditures per funding method (Figure 2), it becomes clear that only 4% of spending is unrestricted funding, 14% is organizational funding, and 79% is project-based funding.

*Average percentage within distribution of funding broken down by funding method (in %)**



* Based on a sample of 58 funders.

Figure 2: The majority of expenditure by funding bodies goes to project-based funding (Source: 3)

What are the effects of unrestricted funding?

At the [Center for Grantmaking Research](#), we have conducted extensive research on the effects of (gradations of) unrestricted funding on various ‘capacities of nonprofit organizations’ (see Figure 3). The underlying idea is that unrestricted funding, generally speaking, has a positive impact on these capacities, and as organizations develop these capacities, they are able to work more effectively. These relationships are presented in the model below.

The different capacities of nonprofit organizations can be described as follows:

- **Financial management:** The financial sustainability of an organization (negative: the organization may sometimes become too dependent on a funder that provides unrestricted funding).
- **Operational capacity:** Having sufficient capacity within an organization (e.g., procedures and manpower) to implement projects successfully.

- **Staff management:** Staff and volunteers are well equipped to carry out their tasks.
- **Adaptive capacity:** To adapt to changing circumstances (such as during COVID-19).
- **Strategic planning:** To successfully develop and carry out a strategic plan. (negative: restricted funding ‘forces’ critical reflection).
- **Mission orientation:** Being able to work independently toward the organization’s mission (independent of donors, funders, companies or the government).
- **Innovation:** The development and application of innovative solutions for societal challenges.

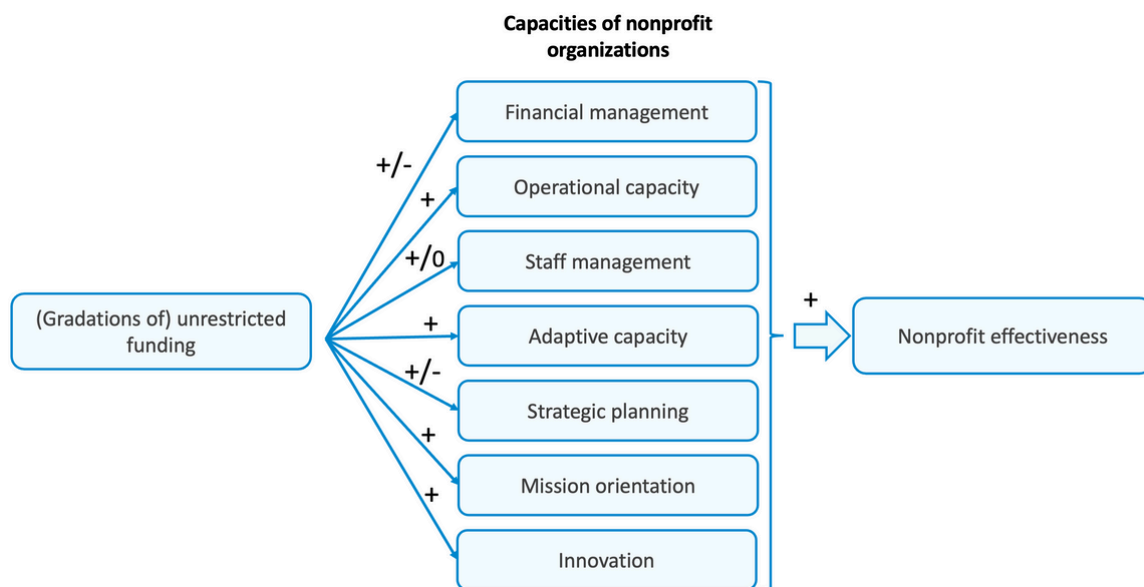


Figure 3: Relationship between unrestricted funding and nonprofit capacities (Source: 4)

Barriers to unrestricted funding

Funders experience various barriers when it comes to working with (more) unrestricted funding. Key concerns that funders have in transitioning to more flexible forms of funding include:

1. Concerns about accountability

- ❗ Decision-makers may feel they have less control when working with unrestricted forms of funding. Project funding makes it easier to measure short-term results and gives a sense of control.
- ✅ However, if the mission is to achieve long-term change, then short-term goals can be counterproductive.
- ✅ Handing over power and control does not mean that due diligence can't be conducted or that receiving organizations are no longer accountable. Before funders provide multi-year unrestricted funding, it is important to assess -ideally jointly with the grantee organization- whether the organization can spend this money responsibly and in line with expectations.

2. Concerns about strategy and impact

- ❗ Unrestricted funding is not often seen as ‘strategic’ because it cannot be directly linked to specific outcomes. It is hard(er) to demonstrate what multi-year unrestricted funding has achieved compared to project funding, which has a clear beginning and end.
- ✅ An important step here is to select grantee organizations whose mission and theory of change align with your own goals as funder.
- ✅ Short-term output says little about impact, especially not about (systemic) long-term changes. To achieve that, it is valuable to reflect on how progress is measured, thereby listening to grantee organizations and their target groups: when do they consider progress has been made?

3. Structural barriers

- ❗ Examples of structural barriers include budget rules and systems, fixed percentages for overhead costs, and fixed annual budgets that stand in the way of multi-year unrestricted support.
- ✅ It can make funders less flexible if money is ‘tied up’ in long-term commitments to unrestricted funding. This can mean that they can support fewer organizations. When your own flexibility is under pressure due to multi-year commitments, consider sharing the burden with other funders.
- ✅ Make sure to maintain a flexible buffer in your funding (so don’t only provide multi-year unrestricted funding); project funding also plays an important role. A project with a clearly defined beginning and end, or initial collaboration with an organization, may be better suited for project funding. This offers flexibility to make strategic adjustments to funding policy over the years.
- ✅ Where possible, ensure there is an ‘exit strategy’, but recognize that this is not always feasible or realistic.

Sources: [5](#),[6](#),[7](#).

EXAMPLES OF BARRIERS ENCOUNTERED IN PRACTICE AND TIPS TO OVERCOME THEM

Eline Crins of Kansfonds (a Dutch Foundation) shares that, as a funder, there can be various practical challenges to providing (more) unrestricted funding:

- (CRM) systems are not set up for unrestricted funding. Application systems are typically designed around project funding.
 - **Solution:** Be creative with workarounds until the system can be changed. For example, by manually creating an application within the system specifically for unrestricted funding.

- A transition to more unrestricted funding can affect how employees perceive their professional role. They may feel as if they are no longer adding value or feel uncertain because their work is changing. This shift demands something from the employees. They must, for instance, carry out due diligence that is a lot more focused on the organizations they fund rather than on the individual projects.
 - **Solution:** Highlight the positive aspects. While the work does indeed change, it becomes more interesting, employees have the chance to engage deeper with the content of the work and to build a different type of relationship with receiving organizations.
- Project funding is often more appealing because it involves a project with a clearly defined beginning and end, after which it is (typically) declared a success. The conventional definition of success, however, doesn't readily apply to unrestricted funding. This can be challenging not only for project advisors but also for board members and communication staff.
 - **Solution:** Diverge from an impact story focused on 'attribution' to one centered around 'contribution.' As a funder, you contribute much more to the successful implementation of an organization's mission (contribution), than when you are (partially) claiming credit for specific project outcomes (attribution).

Information for fundraising organizations seeking to raise more unrestricted funding.

A first step can be to map out your organization's funding portfolio:

- What is the diversity of income sources? E.g., which portion comes from government funding, philanthropy (which sources?), income from fees and services, or your own capital?
- Which part is (to what extent) unrestricted from each of these sources?

Question: To what extent does your funding portfolio align with your organization's mission/what your organization aims to achieve? Would you like to make any changes to this?

Tips:

- Talk to funders who already know your organization and have supported projects in the past. Emphasize to both private donors (including major donors) and institutional donors the benefits that unrestricted funding can bring to your organization, for example:
 - Flexibility (adaptive capacity)
 - All other capacities from Figure 3
 - Exiting the “starvation cycle”: what could you do for the target group if you spend less time on project applications and reporting?
- Reflect thoroughly on what you want to achieve in the long term with unrestricted funding and communicate this clearly:
- Which capacities can it strengthen? What are the effects going to be on your organization's effectiveness?
- Start with raising unrestricted project or program funding as a first step; unrestricted organizational funding can follow later.
- For ‘intermediary funders’: start with providing (more) unrestricted funding yourself.

Sources:

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More information:

- The Center for Grantmaking Research at the Vrije Universiteit Amsterdam: <https://www.grantmakingresearch.nl/>
- Trust-Based Philanthropy Project: <https://trustbasedphilanthropy.org/>
- The book from Rien van Gendt “philanthropy back to the drawing board”, available in English from: <https://philea.issue lab.org/resource/philanthropy-back-to-the-drawing-board-shaping-a-future-agenda.html>
- The book “Modern Grantmaking. A guide to funders who believe better is possible”, by Gemma Bull and Tom Steinberg: <https://moderngrantmaking.com/>
- Global Fund for Community Foundations: <https://globalfundcommunityfoundations.org/>
- The Center for Effective Philanthropy (CEP) has several relevant reports and publications:
 - <https://cep.org/report/new-attitudes-old-practices/>
 - <https://cep.org/report/making-the-case-foundation-leaders-on-the-importance-of-multiyear-general-operating-support/>
 - <http://https://cep.org/report/making-it-happen-a-conversation-guide/>
 - <https://cep.org/report-backpacks/giving-big-year-one/>
 - <https://cep.org/report-backpacks/emerging-impacts-the-effects-of-mackenzie-scotts-large-unrestricted-gifts/>
- Institute for Voluntary Action Research, reports about unrestricted grantmaking:
 - <https://www.ivar.org.uk/publication/the-holy-grail-of-funding/>
 - https://www.ivar.org.uk/wp-content/uploads/2016/07/IVAR_ThinkingAbout_CoreFunding.pdf

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