

## Best Practices for Effective Donor Collaboratives

### Background <sup>1</sup>

The Connect U.S. Fund was founded in 2003, with the first grant cycle beginning in the late summer of 2004. Throughout its eight years of operations, it worked on the cusp of the philanthropic and the non-profit community, advocating for, convening, and supporting collaborations to advance more responsible U.S. leadership in meeting today's complex global challenges. Its role as a grantmaker and as a driver of collaboration and high-impact advocacy strengthened the foreign policy community as a whole. As a result, the organization has many best practices for how to build an effective donor collaborative, conduct rapid response grantmaking, and build advocacy collaborations. While the Connect U.S. Fund decided to wind down its operations and grantmaking by February 2013, we hope that insights from its experience can continue to shape the foreign policy field.

Collaboration is not a science. To be successful, one needs to be in a constant learning mode, sharing best practices with others, reflecting deeply on one's own methodologies and constantly striving to define impact. The following insights and reflections are offered to assist others as they strive to drive their missions forward and consider the utility of a donor collaborative in furthering their efforts.

The comments in this paper reflect only the views of the Connect U.S. Fund staff, based on their collective experience working on collaborative projects. The field of collaboration deserves broader, deeper, and more rigorous analysis and review. We hope this paper will help spur interested funders to take up that task.<sup>2</sup>

### The Benefits of Donor Collaboratives

There are many benefits offered to foundations participating in donor collaboratives, as well as to the fields they are seeking to support. While some of the upsides may be obvious, others are more subtle or unexpected and only emerge after years of experience. From nearly a decade of receiving funding and advice from a multi-issue donor collaborative, the Connect U.S. Fund staff offers the following advice on this mechanism for donors considering collaboration.

#### 1. Knowledge Sharing

Through participation in a donor collaborative, foundations share both transferable best practices on innovative grantmaking and information with colleagues that they may not otherwise have engaged (e.g., those working on different issues). The basic concepts of network theory are proven by donor collaboratives: more nodes means more exposure to networks of organizations and individuals, more knowledge shared, and more power leveraged. By sharing the best knowledge through a donor collaborative, the whole field – and its composite parts – is raised up.

#### 2. Shared Risk

Pooled funding allows for risk to be shared and spread across several donors. Through a donor collaborative, member foundations can venture into more creative grants than they may have been able to alone. Multi-year cycles can allow “big ideas” to be piloted and learned from, with stakeholder confidence

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<sup>1</sup> See Appendix A for a brief history of the Connect U.S. Fund.

<sup>2</sup> For more information on Connect U.S. Fund best practices, please see our “Rapid Response Grantmaking: A Tool for Grantmakers” and “Lessons in Collaboration: A Tool for Convenors” papers at [www.connectusfund.org](http://www.connectusfund.org).

being higher than if one foundation attempted to be the sole funder. Every foundation has its basic habits regarding risk. Participation in a donor collaborative allows for these margins to be stretched just a bit without the entire system being altered.

### **3. Greater Impact**

The greater understanding donors have of the issues and the resource gaps, the more donors can pool funds and make an impact greater than what their individual networks of grantees or funding streams could produce. This impact is bolstered by exposure to cross-issue needs and successes that may transcend a specific foundation's investment areas. The more foundations understand the macro-picture, the more they can leverage funding decisions that impact the whole rather than distinct silos of engagement.

### **4. Emerging Issues**

In the case of a multi-issue donor collaborative, exposure to diverse issues and their gaps can inform the strategic planning of the foundation members, especially during times of a leadership transition. In both multi- and single-issue donor collaboratives, funders are exposed to a wider swatch of potential grantees and emerging issues, especially when one funder has chosen to move out of a field; this allows them to be aware of gaps in delivery of financial resources to the field as well as opportunities to support emerging change.

## **Key Ingredients for an Effective and Healthy Donor Collaborative**

There are numerous approaches to donor collaboratives in the philanthropic community. From the experience of the Connect U.S. Fund, several ingredients are vital for success.

### **1. Dedicated Staff Time**

Operating a donor collaborative is a time-heavy endeavor – for both the donor contributors and the administering staff. In contrast to co-funding of a specific, discrete project, donor collaboratives are ongoing processes that involve complex management of relationships alongside formidable amounts of administration. The members of the donor collaborative often function as a quasi-board of directors and, as those experienced in the non-profit field know, stewardship of a board has heavy time demands. Add on to this – in the Connect U.S. Fund's circumstance – the grantmaking operations of the collaborative, the convening functions and vital intelligence sharing, and one has a need for significant staffing. Without dedicated staff time, a donor collaborative can become a well-intentioned vehicle whose effectiveness is more limited than its vision. If dedicated staff time is not part of the formula, creating a donor collaborative may not be the best philanthropic vehicle to choose. The Connect U.S. Fund had experience with both no full time staff and, after we realized this was untenable for our goals, a robust support staff for the collaborative. Funders often shy away from funding staff time, but it is critical to any type of effective collaboration.

### **2. An Equal Playing Field**

While equal levels of funding are ideal, vast differentials in foundation assets will likely mean that this is not always achievable or desirable if it means leaving larger amounts of potential funding on the table. In these cases, define a minimal level of funding for participation in the collaboration alongside an equitable decision-making structure and staff time. This alignment avoids unnecessary tensions by alleviating the potential perceived inequalities produced by unequal contributions and commitments. It also avoids domination by the largest funder.

### **3. Institutionalize the Collaborative at Senior Levels**

Participation in a donor collaborative is often an exception to a foundation's regular grantmaking operations. As a "special" project, it has the ability to produce valuable intelligence from the field to support

other ongoing grantmaking portfolios. The efficacy of a donor collaborative for a foundation is at times most visible from 30,000 feet – particularly by the senior most staff (e.g., presidents), who often see and think about the broadest context of a foundation’s activities. Thus, it is critical for foundations to institutionalize their donor collaborative, both in involving high-level personnel and identifying a broad-based mechanism from which the funding is derived (e.g., a president’s special fund). Without these institutionalized mechanisms, the donor collaborative will no longer be positioned at a high altitude and, thus, could suffer from issue-specific interests and competition for funds, both of which can ultimately result in diminishing donor investment (both financial and time) in the vehicle.

#### **4. Shared Fundraising Responsibilities**

It is essential that the contributing donors seek to consistently bring on new funders to the donor collaborative. Responsible staff should act as constant cheerleader for the donor collaborative and its benefits, as well as for its grantees and the issues it covers – both internally (within their own foundations) and externally (in the funding community, with new funders, and other stakeholders). Senior staff, including presidents, must be part of the effort. Often only the presidents will have the vision – and the ability – to sustain collaborative efforts.

#### **5. Independent Funding is Key**

Critical to success is that the donor collaborative is seen as a separate source of funds, as added resources to the field. Perceived or real competition for resources amongst the grantee-partners of a donor collaborative can be its death knell. Seeking funds from the same small pool of potential funders destroys the neutral, value added of the entity driving the collaborative. Therefore, a separate, additional pool of funding is critical.

#### **6. Shared Goals, Success Metrics and Review Process**

To be most effective, the donor collaborative should have a clear and unifying goal, success metrics to assess progress towards the goal, and a review process to renegotiate terms of engagement.

Agreement on a shared goal allows donors to pool funds and to make an impact greater than their individual networks of grantees could produce. This goal should be grounded in success metrics that compel the donor collaborative – as a whole – to assess progress towards success. One of the barriers to more donor collaboratives being established is the challenge of multiple stakeholders sharing definitions of success. Oftentimes, there is agreement on the activities that need to be funded but no accompanying mechanism to indicate to the donor collaborative that it has achieved its goal and to what degree. Intentional discussions and documentation of defined success metrics are vital for a shared sense of impact among the members of a donor collaborative.

The donor collaborative also needs to have agreement around when that goal can (or should) change and the anticipated tenure (and potential end date) of the collaborative itself. This should include a regular review of the goals of the collaborative and the strength of each foundation’s commitment to it. In addition, an outside evaluation should be conducted every 2-3 years or after a significant change in landscape. It is vital that the group calls into question its goals when the external landscape shifts, such as in times of social, economic, or political flux.

#### **7. Exit Strategy**

Donor collaboratives carry significant power as resources are amassed and leveraged in the field. However, the very nature of foundations – their evolving and changing missions, portfolios, leadership and modes of operation – make the best of donor collaboratives the product of a perfect confluence of the right people at

the right time. When launching a donor collaborative, like many investment funds, it is vital to define exit conditions and timelines. While “membership” can always be renewed, the likelihood is slim that the conditions and set of needs that elicited the inception of the collaborative will continue to be aligned over time. That is natural and is the very nature of the vehicle. Without intentional exits, synchronization disappears and drift can occur within the structure of a donor collaborative, diluting its focus, obfuscating its mission, and gobbling resources of time and money without a clear purpose.

### Questions a Donor Collaborative Should Consider

Donor collaboratives are best established when the following key questions have been discussed (even if not resolved) by its membership. These include:

- How does a donor collaborative add value to our current strategic plan, activities, grantees, etc.?
- How should we deal with the phenomenon of “double-dipping” – organizations which seek funding from the collaborative as well as from its individual foundation members?
- How will we deal with disagreements between the members (e.g., disagreement over funding to a particular campaign or organization)?
- How can we streamline our mechanism – give the administering staff an ongoing green light for activity –while maintaining the veto right of the donors?
- Can we synchronize grant terms of contributing donors?
- Do we brand? If so, is it the donors that should get the public exposure or rather the vehicle that is created to serve their purpose? Or the grantees? If the latter, how do you measure success for the vehicle?
- How do we adapt to change? What are the potential “off-ramps” and what can we do to foresee and address these? What is our exit strategy?
- How will we know when the investment of energy and resources in the donor collaborative is no longer worth it?
- How do we ensure that larger contributors don’t directly, subtly, or perceptually take over?
- Do we need a board? If so, what types of people should serve and how do we mitigate conflicts of interest?

### Conclusion

For the Connect U.S. Fund, being the product of a donor collaborative was a tremendous opportunity at a unique window in time. During the transition years in U.S. leadership – from the Bush to the Obama administration – the foundation partners benefitted from information sharing and having diverse sets of eyes and ears on the ground to uncover emerging trends and developments. The non-governmental organizations supported by the Connect U.S. Fund – through funding, capacity-building, and advocacy support – benefitted from the pooled funds and the intelligent allocation of them. Such a platform has tremendous power, particularly when the partners enter with eyes wide open and strong communication. It is a unique vehicle with a vital role. We hope these observations will spur foundations to undertake future collaborations and make such efforts strong, vibrant, and effective.

## Appendix A: The Connect U.S. Fund – A Brief History

The Connect U.S. Fund was founded in 2003 in response to the unilateralism of the George W. Bush administration. Its first grant cycle began in the late summer of 2004 and – for eight years – it worked on the cusp of the philanthropic and the non-profit community, advocating for, convening and supporting collaborations to advance more responsible U.S. leadership in meeting today’s complex global challenges. It was created by collaborating foundations that represented diverse fields – peace and security, human rights, environment, development and global health – and were facing similar challenges to advancing their policy objectives.<sup>3</sup>

The power of the collective voice, grantmaking, and advocacy drove the Connect U.S. Fund’s work. Through leveraging resources and skills, exchanging lessons learned, developing complementary strategies, sharing information, conducting and funding capacity trainings, crafting mutually reinforcing messages and taking collective advocacy action, the Connect U.S. Fund helped build and strengthen an advocacy community better positioned for policy wins in promoting U.S. leadership. The organization used grants and staff time to spur policy progress and to encourage collaboration.

**Network Weaver:** The Connect U.S. Fund developed a robust network of community members poised for policy action. By 2012, its working groups were made up of 140 organizations, represented by 360 working group members. The website had 19,237 unique visitors. The Connect U.S. Fund’s bi-weekly newsletter was opened by 7,011 people. To build the capacity of the community, we hosted a variety of training sessions and educational briefings. Many of the organizations involved in some aspect of the Connect U.S. Fund – in turn – connect to millions of people in the U.S. and internationally.

**Grantmaking:** During its tenure, the Connect U.S. Fund disbursed \$12.5 million through its annual initiative grants and rapid response, supporting organizations to promote responsible U.S. leadership on human rights climate change, nuclear nonproliferation, and development.

**Annual Grants:** From 2004-2012, the Connect U.S. Fund made 178 annual grants, totalling \$10.8 million, 71 percent of which were in partnership to organizations that would collaborate. The grant sizes ranged from \$20,000 to 80,000 per organization, with an average of \$60,500 per organization. Staff found the larger sized grants to be much more effective in promoting true collaborations.

**Rapid Response Grants:** From 2006 – 2012, the Connect U.S. Fund made 90 rapid response grants totalling \$1.7 million (an average of \$19,200 per project). The majority of the grants (57%) were to human rights-related projects. Since 2007, roughly 430 proposals were submitted for review.

**Staffing and Operations:** Over the course of eight years, our total operating costs, including staff, community meetings, trainings, and administrative costs was \$6 million. The initial staffing of a part-time individual proved wholly inadequate to the task and additional staff was added as the operational and advocacy programs increased. In 2012, staff totaled six.

In mid-2012, the Connect U.S. Fund decided to wind down its operations and grant-making by February 2013.<sup>4</sup> During its eight years of operation, the Connect U.S. Fund helped build a stronger network of organizations committed to advancing U.S. leadership in today’s global challenges. We hope that the connections built will continue to strengthen through continued support of forward looking foundations.

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<sup>3</sup> Donors to the Connect U.S. Fund over the years have included the Atlantic Philanthropies, Carnegie Corporation of New York, Charles Stewart Mott Foundation, Ford Foundation, Open Society Foundations, Ploughshares Fund, Rockefeller Brothers Fund, and William and Flora Hewlett Foundation. The Connect U.S. Fund also received project-specific support from the Energy Foundation, MacArthur Foundation, New Ventures Fund, Nuclear Threat Initiative, and Skoll Global Threats Fund. The Connect U.S. Fund is a project of the Tides Center and its grant distribution is managed by the Tides Foundation.

<sup>4</sup> Please see [www.connectusfund.org/next-steps-connect-us-fund](http://www.connectusfund.org/next-steps-connect-us-fund) for more information.