



**grantmakers**  
WITHOUT BORDERS

## **Working with Intermediaries in International Grantmaking**

# Defining “Intermediary”

Grantmakers Without Borders defines an “intermediary” as:

A non-endowed non-profit organization that receives individual donor, corporate and/or foundation support to make grants to other non-profit organizations

## Nota bene:

- The term “intermediary” is used many different ways, not just the way Gw/oB defines it
- Some intermediaries do have an endowment fund, but it is secondary to their need for ongoing financial support from individual donors, corporate funders and foundations
- Intermediaries can be based in the US or outside the US (examples of overseas intermediaries: The African Women’s Development Fund; Nepal Women’s Fund/TEWA)
- Intermediaries might do domestic work and/or international work
- Many organizations are not exclusively intermediary: While they make grants to other organizations, they also run their own programs (example: OXFAM)
- Many intermediaries channel government funding to overseas groups

## What is NOT covered by this definition?

- Organizations that exclusively run their own programs and that do not provide financial support to local partners or grantees to implement projects
- Organizations exclusively doing public policy, education, or other activities in the US

## Before choosing an international intermediary:

- Have you considered issues of power in the grantmaking process: how power may be distributed in grantmaker/grantee relationships, and how much you are comfortable sharing power or ceding it to others?
- Have you considered who in the relationship has the most relevant expertise: Is it you, the intermediary, the overseas grant recipient, or some combination of all of you?
- Are there ways in which you hope to fulfill some of your personal aspirations through your grantmaking, such as gaining personal connection to grassroots activists, or an acknowledgement of the tangible benefits of your grantmaking?
- What about the aspirations, values, and culture of the grassroots groups you would like to support? What do those groups want out of this relationship?

# Types of International Intermediaries

- “Friends-of” organizations
  - US-based organizations that raise funds in the US and channel them to just one specific overseas organization
- Re-granters
  - International human rights, environmental and/or development organizations whose modus operandi is not to run their own programs but to provide financial support to overseas groups; the ability of the donor to determine the grant recipient(s) is normally limited
  - Examples: Global Greengrants Fund, Fund for Global Human Rights, Astraea Lesbian Foundation for Justice, Cottonwood Foundation, Global Fund for Children, Episcopal Relief and Development, American Jewish World Service, American Friends Service Committee, Presbyterian Hunger Program, Global Fund for Women, EcoLogic Development Fund
- E-philanthropy
  - A subset of the re-granter category whose chief donor outreach strategy is web-based
  - Examples: NetAid, Virtual Foundation
- Open intermediaries
  - Organizations that actively re-grant funding to overseas organizations selected by the donor
  - Examples: Charities Aid Foundation-America (CAF-America), King Baudouin Foundation
- Certain community and community-based foundations (i.e., foundations that define “community” not by geographic area, but by the interests of a given community)
  - Some community and community-based foundations will serve as international intermediaries, often through donor-advised funds
  - Examples: Community Foundation Silicon Valley, Tides Foundation, Shefa Fund, International Community Foundation
- “Learn to give” re-granters
  - Re-granting organizations that bring donors together in intimate settings to learn about philanthropy, pool funds, and make collective grantmaking decisions
  - Examples: Acumen Fund, Clarence Foundation

# Warning!

“Earmarking” refers to the practice of making an agreement—signed, written or oral—that funds will be re-granted by an intermediary to a particular beneficiary selected by the donor.

The IRS requires that US charities demonstrate independent discretion over donated funds. This independence is violated when contributions are earmarked for a specific, named foreign beneficiary.

**Individual donors and corporations may not take a charitable deduction for grants determined by the IRS to have been earmarked. For private foundations, the IRS does not consider earmarked grants as qualifying distributions, and the private foundation may take on a liability for making a taxable expenditure.**

When an individual donor, corporation or private foundation makes a grant to an intermediary, it formally cedes control over the contribution. The grantmaker’s request that the grant go to a specific organization is just that—a request—and not a legally binding requirement. The intermediary, by law, must exercise final control over where the contribution is to be allocated.

In practice, it is unlikely that the intermediary would not oblige the donor’s recommendation on where the grant is to be allocated, but they must be able to demonstrate to the IRS that they indeed have actual control over all contributions they receive.

Earmarking is permissible to a particular program of an intermediary (for example its environment program or its program in India), so long as that program is under the control of the intermediary.

For more on earmarking, see The Council on Foundations’ “Beyond Our Borders” (John Edie and Jane Nobler) and “Use of Fiscal Agents: A Trap for the Unwary” (John Edie)

# Considerations to explore when selecting an international intermediary

## RELATIONAL:

- Whose role is it to determine where funds are to be re-granted, the donor's or the intermediary's?
- How open are the donor and the intermediary to developing a close working relationship with one another?
- If the donor wishes to have a direct relationship with the overseas grant recipient, is this something the intermediary can help facilitate?
- What kind of information on the project or organization being funded would the donor like to receive, and what can the intermediary provide?
- How transparent is each partner, and what can each do to engender a relationship of trust?

# Considerations to explore when selecting an international intermediary

## Quality and effectiveness:

- How well does the intermediary know the field in which it is operating: politically, economically, culturally, linguistically, etc.?
- Does the intermediary have the skills and capacities to properly administer the grant (including post-9/11 considerations)?
- What is the nature of the relationship between the intermediary and the overseas grant recipient?
- To what extent does that relationship help to build the capacities of the overseas grant recipient?
- How are projects and organizations identified?
- How are projects monitored and evaluated?
- How much of the donor's contribution will go to overhead and administration on the part of the intermediary, and how much will be re-granted to the overseas recipient?

Because there are costs involved for the international intermediary when it re-grants a donor's contribution, it is essential that the international intermediary be allowed to retain a portion of the grant for its own administrative purposes. Here are some factors to consider when determining what a fair "take" by the intermediary might be:

- Grant size: There are fixed costs no matter the size of the grant. Intermediaries may need to retain a higher percentage of smaller grants than larger ones.
- Complexities of the grant: For example, is the grant being made in a high conflict area, where extra precautions and due diligence are required?
- Added value: How much time, effort, and financial outlay are expected of the intermediary? For example, is the re-granting purely a financial transaction, or is the intermediary being asked to take on responsibilities such as site visits, project monitoring and evaluation, regular report writing to the donor, etc.?
- Institution building: Most intermediaries are involved in much more than just re-granting of foundation support. Many leverage financial resources from a broad range of individual, often grassroots donors through educational programs and other activities. Many are involved in advocacy on important international issues. Many provide capacity building to overseas non-profits to help strengthen civil society where it is weak. Donors may wish to remind themselves of this added-value feature of supporting intermediaries when agreeing to a grant's ultimate allocation.

# Resources for further exploration of International Intermediaries

Grantmakers Without Borders  
[www.gwob.net](http://www.gwob.net)

Interaction  
[www.interaction.org](http://www.interaction.org)

The Council on Foundations' International Programs  
[www.cof.org](http://www.cof.org)

International Human Rights Funders Group  
[www.hrfunders.org](http://www.hrfunders.org)

Funders Network on Trade and Globalization  
[www.fntg.org](http://www.fntg.org)

Idealist  
[www.idealists.org](http://www.idealists.org)

One World  
[www.oneworld.net](http://www.oneworld.net)