‘I’m not interested in funding administration’: a challenge to grantmakers

Premium

by Fiona Higgins | August 4, 2016

These words are often uttered adamantly at trustee meetings, but what do they really mean? Fiona Higgins from Australian Philanthropic Services decodes the debate and takes an incisive look at why some of the greatest philanthropic impact flows from unrestricted funding.

In my experience, the words “I’m not interested in funding administration” can be code for:

1. I am loath to fund certain elements of charitable administration, especially marketing and communications, fundraising collateral (appeals, direct mail, merchandise catalogues) and glitzy, high-cost events that might end up on the front page of *The Australian*.

2. I’m worried about control and impact. If I give an organisation an unrestricted grant, how will I know how it’s spent, and to what effect? Aren’t I just contributing to consolidated revenue?

3. I don’t want to fund indirect charity costs—I only want to fund **direct** service provision.

The first two concerns are relatively easily managed through good communication between both sides of the for-purpose partnership.

It’s always a funder’s prerogative to stipulate any ‘no go’ areas for administration funding, and charities are generally accommodating of a donor’s wishes.

As for control and impact of untied funding, it’s good practice to develop a mutually agreed understanding of the metrics that will be used to chart progress over time—preferably *before* the funding is given.

The third objection is perhaps the most pervasive, despite the fact that Australia has no clear definitions around which of a charity’s costs should be considered ‘service-related’ and which should be understood as ‘administration’.

As such, information about charitable administrative costs is not comparable between organisations and can feed unfounded assumptions—namely: that those charities with higher administration costs are somehow less worthy than those with lower overheads.

Intuitively, we all know that this premise is unsound.

Adapting the commercial adage, *You have to spend money to make money*, in the for-purpose world we recognise that good services are founded on good systems. And good systems are funded out of administration budgets, which may scare off some funders.

Yet, if those same administration-averse funders are asked ‘Are you prepared to help move a well-run organisation from good to great?’ the answer is usually a resounding *yes!*

Time to talk capacity

Whatever the size or scope of our grantmaking, perhaps it’s time to stop focusing on administration costs and start paying attention instead to an organisation’s *capacity*: the unique blend of leadership,

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governance and programs that enable the organisation to deliver social impact, as well as the associated costs.

It's an idea echoed by Sarah Davies, CEO of Philanthropy Australia, who, at the Generosity Forum in May 2016, called on Australian philanthropic foundations to move away from the prevailing project-based funding model, and instead embrace capacity-building and unrestricted funding.

Sarah's suggestion is grounded in a growing body of evidence that shows low administration costs do not necessarily signal that a charity is good. In fact, it can indicate the converse.

So what, in practical terms, does that mean for funders?

It doesn't mean abandoning a forensic review of a charity's financials—funders can, and should, interrogate an organisation's revenue and fundraising model, the diversity (or lack thereof) of its funding base and its plan for sustainability.

Drilling down into the 'cost of fundraising' component of administration costs is also appropriate—how much is the organisation spending on black-tie balls, capital drive campaigns, or telemarketers?

But equally, if you already have a funding partner with a strong track record of results, and with fair and reasonable administration costs that support well-run programs, untied funding can be an act of good faith in that organisation, a form of enlightened generosity.

Some of the greatest philanthropic impact can occur when funding the most mundane overheads.

Consider, for example, the funding of:

1 – Talent: Longer-term commitments (three to five years of funding) that will help an organisation move the right people into an organisation—at the executive, program and board level—and sometimes, awkwardly, to move the wrong people out.

2 – Sustainability planning and implementation: Funding an external consultant (there's a word that can send many a funder running from the room!) to spend time with an organisation, run a diagnostic on its financial and fundraising model, then brainstorm alternative revenue strategies. Sometimes all it takes is an external perspective to start shifting habituated ways of thinking and doing within an organisation.

A word of warning: it's best to commit to both the planning AND implementation of this kind of review. It's no good getting a consultant to come into an organisation, tell everyone how to start doing things better, deliver a slick strategy presentation, then leave.

Find (and fund) a consultant that's prepared to both design and deliver the review, then roll up their sleeves for the implementation phase, too.

3 – Systems: There's nothing more important to organisational longevity than strong business processes and systems, for finance, IT and HR—and there's nothing less sexy to fund.

While individual donors are likely to be unmoved by the importance of data integrity, to an organisation working in an area such as youth suicide prevention, philanthropic funding is uniquely placed to help that organisation achieve its data dream, thus enabling it to scale its programs.

In short, by funding basic administration costs, philanthropic funders can liberate an organisation to do more of what it already does well.

You back the organisation, not the project.

You fund systemically rather than sporadically.

You contribute to the organisation's longevity and sustainability.

It could be your greatest gift ever.

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