SUSTINOVA

Current challenges and practices in philanthropy

Case studies from Switzerland and Liechtenstein

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This report presents the results of the first study conducted by Sustinova, devoted to the intersection of philanthropy and project development in Switzerland and Liechtenstein. We thank all participating foundations and project initiators for kindly sharing their perspectives and experiences. Mrs Ann Zulliger and Mr Hans-Rudolf Zulliger, from the Stiftung Drittes Millennium, provided valuable support and insights for the study's approach. We are also grateful to Mrs Beate Eckhardt and Mr Lukas von Orelli, from Swiss Foundations, for their helpful input and encouragement. Lastly, we extend our appreciation to all the other people and entities who provided critical and constructive input during this period.

Through our research and advisory activities, we want to approach specific issues together with the relevant stakeholders. The aim is to generate insights that can be turned into concrete actions and initiatives. Where relevant, our team will engage with respected partners to develop some of these opportunities.

Sustinova is a not-for-profit association based in Zurich, Switzerland. Our mission is to promote the adoption of sustainability by both individuals and organisations, allowing them to increase the positive impact of their activities. Our website www.sustinova.ch provides additional information on our team, goals and activities.

We wish you a good read and look forward to your contact.

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The present study examines practices and challenges faced by grant-making foundations and by project initiators regarding the selection, monitoring and evaluation of projects. The relationship between both groups, organisational learning, demand for external services and changes in the philanthropy landscape are assessed.

11 grant-making foundations and 9 project initiators from Switzerland and Liechtenstein were assessed via case studies between April and September of 2013. The choice of participants focused on organisations noted for their emphasis on sustainability, although the topics above were examined in a more generic way. The choice of organisations aimed for a certain level of diversity in terms of structure and size, volume of projects, years of activity and approaches followed.

The results show how most foundations adopt a mix of strategies to attract suitable candidates and how selection criteria and risk management measures tend to emphasize organisational factors over project-related ones. Selection and funding of projects are seen as the core activities of foundations, but with differences in strategies. Monitoring and reporting are conducted by all foundations but internal resource constraints often limit the scope of action. Evaluation of impact and promotion of organisational learning are less frequent due to internal limitations and lack of generic methodologies.

Foundations conduct all processes and decision-making internally, tending to resort to their network or external experts only for specific tasks. The level of interaction with initiators varies within the sample but challenges are commonly felt by all supporters when trying to establish a clear communication, manage expectations and develop a relationship of trust.

Regarding the initiators' side, the analysis is primarily focused on fundraising and the interaction with supporters. The effort and obstacles associated with these activities are assessed, as are the strategies to deal with them. The predominant challenges relate to the lack of transparency and feedback from most donors and the high diversity of requirements for funding and reporting. The findings demonstrate how the efficiency level of initiators is negatively impacted by the interplay of these factors.

The findings of the study highlight challenges and the diversity of approaches taken by grant-making foundations and project initiators. Throughout the results and conclusion sections, approaches and examples of best practices are highlighted and discussed.

Die vorliegende Studie untersucht gängige Praktiken und Herausforderungen, mit denen Förderstiftungen und Projektinitiatoren bei der Auswahl, dem Monitoring und der Schlussevaluation von Projekten konfrontiert sind. Die Beziehung zwischen Förderern und Geförderten, das Lernen als Organisation, das Bedürfnis nach externen Dienstleistungen und die Veränderungen in der Philanthropielandschaft werden ebenfalls behandelt.

11 Förderstiftungen und 9 Projektinitiatoren aus der Schweiz und Liechtenstein wurden zwischen April und September 2013 anhand von Fallstudien untersucht. Die Auswahl der Teilnehmer wurde durch deren Fokus auf Nachhaltigkeit bestimmt, obwohl die obengenannten Themen eher allgemein behandelt wurden. Bei der Auswahl der Organisationen wurde ein gewisses Mass an Vielfalt bezüglich Struktur, Grösse, Projektumfang, Tätigkeitsjahre und Herangehensweise angestrebt.

Die Resultate zeigen, wie die meisten Förderstiftungen einen Mix an Strategien einsetzen, um geeignete Kandidaten anzusprechen, und wie Auswahlkriterien und Risikomanagement-Massnahmen stärker auf die jeweilige Organisation bezogen sind als auf die eigentlichen Projekte. Die Auswahl und Förderung von Projekten werden als die Kernaufgabe der Förderstiftungen angesehen, unterscheiden sich aber bezüglich interner Strategien. Monitoring und Berichterstattung sind für alle Stiftungen Standardschritte, aber die begrenzten internen Ressourcen limitieren oft den Umfang dieser Aktivitäten. Wegen beschränkter interner Rahmenbedingungen und einer fehlenden standardisierten Methodik werden die Auswirkungen des Projekts nur selten evaluiert und der Lernprozess innerhalb der Organisation gefördert.

Förderstiftungen führen alle Prozesse und Entscheidungen intern aus und greifen tendenziell nur für bestimmte Aufgaben auf ihr Netzwerk oder externe Experten zurück. Die Dialogbereitschaft zwischen Förderstiftungen und Projektinitiatoren variiert innerhalb der Probegruppe. Förderer sehen sich aber häufig mit den gleichen Herausforderungen konfrontiert, sei es beim Erschaffen einer klaren Kommunikation, beim Umgang mit Erwartungen oder beim Aufbau eines Vertrauensverhältnisses.

Hinsichtlich der Projektinitiatoren richtet sich die Studie vor allem auf das Fundraising und die Interaktion mit den Förderern. Der Aufwand und die üblichen Hürden werden erörtert, welche mit diesen Aktivitäten verbunden sind, sowie die angewendeten Strategien. Die Hauptschwierigkeiten liegen bei der mangelnden Transparenz und fehlender Rückmeldung seitens der Förderer und bei der hohen Vielfalt der Anforderungen bei Förderung und Berichterstattung. Die Resultate zeigen zudem auf, wie die Effizienz der Initiatoren durch das Zusammenspiel dieser Faktoren negativ beeinflusst wird.

In der Studie werden die Herausforderungen und die Vielfalt der Vorgehensweisen von Förderstiftungen und Projektinitiatoren aufgezeigt. In den Resultaten und im Fazit werden bemerkenswerte Vorgehen und Beispiele für vorbildliche Praktiken hervorgehoben.

1. INTRODUCTION

STUDY FOCUS

- This study examines current practices and challenges faced by grant-making foundations in Switzerland and Liechtenstein during the identification, selection, monitoring and evaluation of projects.
- Moreover, current practices and challenges faced by project initiators when searching for funding are identified.
- Further, the interface between grant-seeking and grant-making organisations is assessed at different moments of their relationship.
- Although the study focused on foundations and initiators noted for their emphasis on sustainability [1], the analysis of the above topics is done in a more generic fashion.

ORGANISATION OF THE REPORT

- The condensed findings of the exchange with grant-making foundations and project initiators are contained in the highlights section (2). For a more detailed view, the in-depth findings of the study are presented in sections 3 to 8. The concluding remarks are presented in section 9.
- For ease of reading, the entire report is written in a concise bullet-point format and structured along the key findings of this study.
- To assist the reader, noteworthy approaches or examples of best practices are preceded by the symbol → in a light blue text box.

SAMPLE GROUP

- The sample group in this study consists of two sets: project supporters and project initiators. In line with the case study methodology adopted in this study, a good sample should be defined by a certain level of diversity and not by quantity alone. As such, after the initial identification of a limited number of suitable candidates, other factors were taken into account during the selection of participants. These included an organisation's structure and size, volume of projects, years of activity and approach taken.

- **Project supporters**
  - Represented by grant-making foundations from Switzerland (CH) and Liechtenstein (FL). These were selected based on their focus on sustainability, differences in project identification and selection and in internal organisation.
  - 11 grant-making foundations in Switzerland (CH) and Liechtenstein (FL) agreed to participate in the study. Some focus exclusively on one area (e.g. environmental conservation, education) but the majority cover several areas and regions, normally through clearly established programmes.

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[1] The term sustainability has many different definitions. In this study, it was aligned with the traditional triple-bottom line (TBL) concept (i.e. preservation of social, environmental and economic capital). The intention was to select organisations dedicated to two or more dimensions of the TBL, with a holistic, long-term view and aiming to integrate all relevant stakeholders.

- 8 of these were founded either by a single individual or family which, in most cases, are still part of the board of trustees. The remaining 3 are corporate foundations.
- 3 foundations have been active for 30 or more years, 4 between 10 and 20 years and 3 for less than 10 years. All are currently active both in their base country and abroad.
- Most of the foundations in our sample have between 10 and 20 permanent collaborators, including the board of trustees. The smallest one functions with only 5 people while the biggest one involves around 60.
- Asides from the board of trustees, the roles in these foundations are usually segregated along management, operative and support functions. Most foundations assign sub-teams of one or more people to specific program lines. These usually report to management, which interfaces with the board of trustees. More rarely, there might also be an advisory panel composed of external and internal people.
- Most foundations in this sample invest their asset base and use only the proceeds to define their yearly budget, whereas a minority uses both. A small number of foundations actively procure additional donations (e.g. bequests or project-specific donations).
- Yearly budgets are usually variable unless the foundation pre-commits some of its capital base, as seen both in corporate and non-corporate foundations in our sample. For 2012, the combined grant budgets within our sample amounted to CHF 290 million.

- The sample includes the following participants (in alphabetical order):
  - Ernst Göhner Stiftung (CH)
  - Lotex Stiftung (FL)
  - Mava Stiftung für Naturschutz (CH)
  - Oak Foundation (CH)
  - Sophie und Karl Binding Stiftung (CH)
  - Stiftung Drittes Millennium (CH)
  - Stiftung Ecovida (CH)
  - Stiftung Mercator Schweiz (CH)
  - Z Zurich Foundation (CH)
  - And two foundations which prefers to remain anonymous (CH and FL)

- **Project initiators**
  - Represented by 2 grant-seeking foundations (F) and 7 associations (A) based in Switzerland with a local as well as international reach. These were selected for their project engagements, different approaches in the field of sustainability and differences in scale and internal organisation.
  - 5 initiators have been active for 30 or more years. 3 between 10 and 20 years and 1 for less than 10 years. The majority is active both in their base country and abroad, notably in Africa. Since the focus for most is in development projects, Swiss-based activities tend to be more dedicated to awareness- and fund-raising in support of projects being implemented abroad.
  - All organisations include a board, which usually consists of 5 to 15 people, and one or more operational office(s). For those with international operations, there usually is a coordinator or team based locally. About half of the organisations are small in size (less than 10 employees), with the other half equally split between 20 to 30 and 100 to 150 employees.

- All initiators depend predominantly on external funding. The donations and grants received by initiators in 2012 amounted to CHF 206.7 million. During the same period, a total of CHF 180 million were devoted to projects.

- The following project initiators participated (in alphabetical order):
  - ADES (A)
  - Biovision (F)
  - Helvetas (A)
  - newTree (A)
  - Pro Natura (A)
  - Solafrica (A)
  - Solidar Suisse (A)
  - Vétérinaires Sans Frontières - Suisse (A)
  - WWF Schweiz (F)

METHODOLOGY

- Grant-making foundations and project initiators were identified and selected. Case studies were then conducted with each organisation between April and September 2013.
  - With foundations, this involved an initial structured survey in order to generate a broad data set on grant-making organisations. The provided information was then used as the basis for in-depth semi-structured interviews. Participants were briefed beforehand on the content and goals of the interview.
  - With project initiators, this included an interview with a structured component (questionnaire-type) and a semi-structured component, which were used to examine the perspective of grant-seeking organisations. Participants were briefed beforehand.
- Data has been compiled and analysed in conjunction with data publicly available from the organisations' website, yearly reports, etc.
- Unless explicitly marked, all results presented in this report refer to this sample group only. All data provided has been aggregated and is treated anonymously throughout this document, which is disseminated to all participants and the general public.

2. HIGHLIGHTS

This section gives a concise overview of the challenges and successful practices along the main themes of this study, based on the data generated by the interviews.
These topics are discussed in more detail from section 3 onwards.

PROJECT SELECTION

- **Which approaches do foundations use to attract grant applications?**
  - In order to attract high-quality grant applications, foundations mainly engage in proactive scouting and accept applications. Most foundations in the sample also emphasise partnerships, joint initiatives and longer-term alliances as instrumental to gain enough momentum and push through desired changes. For some, this momentum can be increased further when the foundation is represented in these alliances by a senior executive or board member.
- **What is the foundations' view on risk in the project selection?**
  - To reduce financial risk, all surveyed foundations issue their grants in instalments rather than one lump sum. Further, foundations perform due diligence and put in place strict selection criteria. It is worth to note that mechanisms performed by the foundation itself (e.g. internal due diligence) tend to be considered more critical than those for which external help is commissioned (e.g. expert reviews). While risk management is considered important, some foundations have indicated that a certain degree of risk is even desirable in some cases. For a higher likelihood of innovative solutions, one foundation in particular deliberately chooses to chase ambitious goals and takes on riskier projects.
- **Which characteristics are apparent in the grant-making process?**
  - Most surveyed foundations use their websites to make available the application guidelines, forms and prerequisites. An interesting differentiation point is the amount of steps involved in the application process. Some foundations expect the full application right away while others first require a brief project outline which is assessed before a full application is requested. By filtering out unsuitable and unsatisfactory applications, efforts on the applicants as well the foundations' side are reduced.
  - Valid applications are generally reviewed by the foundation office and then passed on to the board for the final decision. Exceptions exist such as in the case of a foundation where the board members review applications for an assigned topic and then decide about these in the board meeting. Another exception is a foundation where the programme managers review and select projects within their team, with a final sign-off by the board required only for projects above a certain threshold.

- **How do foundations get high-quality, relevant and complete applications?**
  - Foundations present clear application guidelines on their website to reduce the number of irrelevant or incomplete project applications. In addition, some foundations use a two-step application process as explained above.
- **How do foundations ensure a good fit with project initiators?**
  - Foundations favour continuity and trust. Often, they continue to support project initiators whit whom they have worked in the past. When new initiators are involved, foundations occasionally try to get references from others who know them.
- **What do foundations do to assess project involvement in higher-risk regions?**
  - Foundations assess if a project involvement is worth the additional risk. Usually, this is done in the form of an extended due diligence to identify specific risks and then adapting the approach accordingly.
- **What do foundations do if they cannot find enough suitable projects in Switzerland?**
  - Foundations try to find projects with similar goals in bordering countries where positive effects are also useful in Switzerland (e.g. restoring a habitat along the border to increase the size of the area used by a given species).
- **How do foundations manage the expectations of project initiators?**
  - In general, foundations are careful not to make any pre-commitments (especially about chances of success of applications and the maximum size of the grant) and prefer to refer applicants to the online application guidelines. Other than that, none have formal policies in place for interacting with initiators.
- **How do foundations learn to assess and decide about projects?**
  - Through their daily work, foundations continually build up a rich pool of knowledge and lessons learned which they can apply when making difficult decisions. This includes experiences in the actual project fields, project management and the interaction with involved organisations and other stakeholders. Foundations also continually expand their personal network.

PROJECT SUPPORT

- **How do foundations spend their annual budget?**
  - For most foundations, the funding targets for individual support areas are roughly set each year. In order to be able to support appealing and suitable projects, some foundations remain flexible in the allocation of funds to their themes A moderate overrun of the allotted budget during the year might be accepted without much bureaucracy. A deeper revision of the budget might also occur if exceptional circumstances arise, such as an urgent need to address a new field or the desire to intensify commitments on an existing field of action.
- **Do foundations require projects to be co-funded?**
  - In an attempt to reduce financial and other risks on both sides, some foundations require applicants to secure complementary funding. This benefits both sides. On the one hand, project initiators are less reliant on one given source of funding and are more motivated to make the project financially self-sufficient. On the other hand, foundations reduce their financial risks across their portfolio of projects.

MONITORING

- **Which mechanisms do foundations use to monitor projects?**
  - Foundations use generally applicable indicators and milestones (e.g. budget, timing, outcomes) but also project-specific ones to monitor diverging projects (e.g. M^2 of solar panels installed, number of people reached with awareness campaigns, etc.). These are usually agreed upon before the start of the project. All foundations require reports, but the frequency and depth of these differs (i.e. ranging from annual to quarterly, with different levels of detail). One foundation uses a monitoring matrix to track their entire project portfolio, which can be shared with involved parties.
- **How do foundations allocate sufficient time to monitoring?**
  - Due to internal resource constraints for monitoring, foundations focus on a thorough selection of projects and initiators, which is meant to prevent later risks from materialising. When foundations are short of time, highly time-consuming tasks such as site visits are performed less often.
- **How do foundations coordinate between various project partners in multiple projects?**
  - An approach commonly taken is to engage in regular interactions with partners. One foundation uses a monitoring matrix as mentioned above which provides the required information (e.g. general and project-specific indicators).
- **How do foundations accommodate stakeholder expectations?**
  - Due to regular interactions, foundations tend to have deep insights into the expectations of initiators. A few foundations perform stakeholder checks and mapping, both internally and/or with external partners.
- **How do foundations deal with informational gaps in the monitoring process?**
  - The extensive network in the community enables foundations to fill these gaps by asking around. This is an informal but still efficient process because the philanthropy community is relatively small and "everybody knows each other".
- **How do foundations deal with initiators requiring additional funding?**
  - Some foundations allow adjustments to the project budget. This depends on internal circumstances (e.g. the level of awarded grants versus the overall annual budget, internal policies etc.) as well as on external ones (e.g. the urgency of the project, reasons for additional funding needs etc.). Especially in the case of larger or longer projects, foundations keep a tight grip by requiring more regular and detailed project reports and budget updates. An annual report seems to be the norm but more regular (e.g. bi-annually and quarterly) intervals are no exception either.
- **How do foundations deal with a lack of knowledge in a given project area?**
  - Especially with scientific projects, foundations sometimes lack in-house expertise. They usually try to acquire this knowledge by hiring external experts or by cooperating with partners on this field. In case of trusted long-term relationships with initiators, foundations tend to be more prepared to accept knowledge gaps.
- **How do foundations manage projects where results can only be seen in the medium- to longer-term?**
  - Most foundations appreciate that the assessment of medium- to longer-term results is a difficult task, usually not pursued. Instead they emphasise project design and monitoring, mainly due to resource constraints or the lack of suitable methodologies.

FINAL EVALUATION

- **How do foundations measure the actual (longer-term) impact of projects?**
  - This is widely considered to be one of the main challenges in grant-making. Foundations are actively involved in the discussion of impact measurement and appear to be keen to learn more and adapt their approach.
- **How do foundations evaluate the lessons learned from past projects?**
  - In order to draw the lessons learned of a project together and to help in the final evaluation, some foundations commission external experts, consultants and others.
- **How do foundations keep project initiators motivated till the end of the project?**
  - It is common practice among foundations to pay out the last instalment of the grant only after all open tasks have been completed (e.g. final reporting). In addition, most foundations believe that trusted relationships are an important safeguard to get what is expected of initiators.
- **How do foundations deal with instances when project goals have not been met?**
  - In case of unsatisfactory results, some foundations try to identify and assess the reasons and draw conclusions regarding their approach, the project topics as well as the initiators. If needed, extra resources can be allocated to resolve the main issues. One foundation expects such instances and believes that unsatisfactory results can not only guide the foundation in reorienting the project but also in learning for future instances.

DEMAND FOR EXTERNAL SERVICES

- **Do foundations require external support?**
  - Most surveyed foundations perform the tasks around the identification, selection, monitoring and final evaluation of projects internally. This is because foundations have hands-on knowledge and an extensive network, because of confidentiality considerations and because outsourcing the process brings no clear efficiency gains. External help is usually reserved for specialist input or to get a more neutral view of the issue at hand. However, some foundations supporting larger projects also hire external parties to relieve internal resources required for other tasks.

INSIGHTS FROM PROJECT INITIATORS

- **How do initiators fund themselves?**
  - The main source of funds for initiators comes from grants and donations, mainly. They usually rely on a broad array of supporters, led by foundations and public entities. Individuals, NGOs and corporations complete the picture. The individual mix of supporters depends on the area of focus, funding strategy and resources available.
  - Some initiators garner additional funds by offering products or services. In general, these activities do not contribute a significant share to revenues. Some of the younger organisations take a more integrated approach, tending towards the newer field of social entrepreneurship. By adopting a business-like model and developing a marketable solution, the project itself can become an important source of revenues.
  - Regardless of their approach, fundraising remains one of the core activities for initiators and the predominant basis for developing projects.

- **What do initiators value the most in grant-making supporters?**
  - This study placed a greater emphasis on the interaction between initiators and grant-making foundations. Initiators look for ways to make their work more efficient and to develop stable relationships. They value supporters that have a clear selection process and are open to longer-term relationships.
- **How do initiators handle the diversity of requirements?**
  - All initiators deal with multiple supporters on an on-going basis. Both sides are very diverse in terms of approaches and available resources. Most initiators are challenged by the different requirements when raising funds and reporting.
  - Normally, they implement solutions that target the most obvious bottlenecks. If funds are sufficient and there is enough focus, more systemic solutions are attempted. Some examples in our sample go as far as pushing for their own reporting rules.
- **Which project characteristics are believed to be best indicators for high impact?**
  - There is an understanding that no single indicator can predict the impact of a project. Rather, the focus seems to be on developing a framework that considers the multiple factors at play and identifies where there is a greater demand to act.
- **Which project characteristics are believed to be overlooked by supporters?**
  - Through their projects, initiators try to tackle a wide array of issues. Some of these problems can be addressed by a single organisation with existing approaches. Other problems are more structural and complex: they require a good understanding of the system and a solid involvement by supporters and other stakeholders.
  - The initiators in this sample try to implement solutions that are longer-term and self-sustaining. Several examples are provided in the report where supporters downplay aspects that are critical for the success of such efforts.
- **What is the value of reporting and how is it handled?**
  - Reporting is clearly the primary communication tool between initiators and supporters. The level of effort associated with reporting is generally high, due to the variations of requirements, but there are different strategies and solutions to cope with this. Interestingly, there are strong differences in the way how the value of such reports is perceived.
- **What are the main challenges for initiators?**
  - The main external challenges relate to the difficulties in obtaining enough information about supporters and with establishing a good level of communication between both sides. Usually, the solution involves a limited focus on research and a greater emphasis on networking and communication.
  - Internally, there are several common barriers that prevent initiators from working more efficiently. Different attempts to solve this problem were visible in our sample. In general, the bigger the organisation the more likely it is that it can tackle these challenges. More important however is that the initiator can make the needed investments in staff, know-how and tools.

3. PROJECT SELECTION

- **How do foundations identify good projects?**
  - In general, most use a mix of passive and active approaches to attract applicants, which are then submitted to the normal application process, as seen in figure 1. As part of this process, some of the bigger organisations tend to engage in a more prolonged dialogue. Larger organisations with a more structured process are more likely to engage in active approaches, such as launching calls for projects and partnerships.

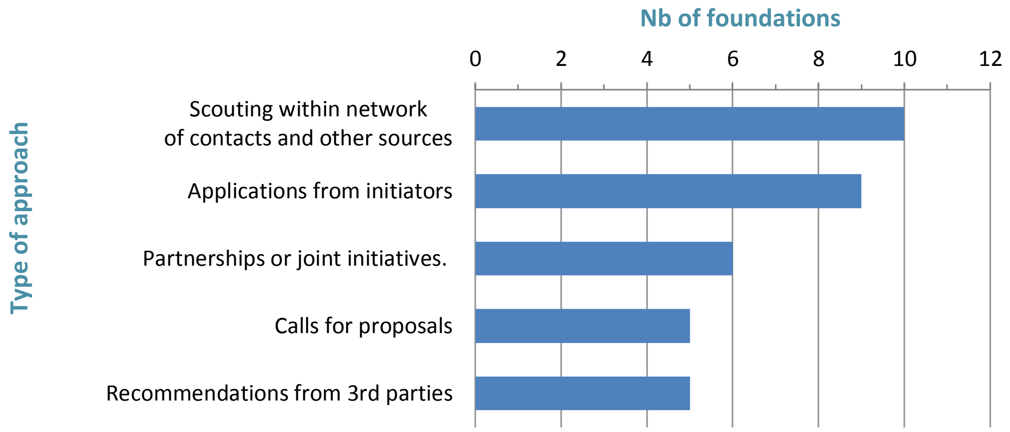

Figure 1 – Types of approaches used by foundations to identify potential grantees.

  - Among the different approaches outlined in figure 1 above, the vast majority of foundations engages in scouting (10 foundations) and accepts applications (9 foundations). However, there are a few exceptions:
    - One large foundation, for instance, hardly reviews unsolicited applications. Instead, most of their grants are awarded by proactively inviting project initiators to submit a proposal, based on the foundation's priorities.
    - One other foundation takes the opposite approach and only accepts applications via a predefined form.
  - 6 foundations engage in partnerships and joint initiatives, which are seen as instrumental to gain the clout to address critical issues. Different examples were given:
    - One foundation develops a network of collaborations to address systemic issues, promoting donor-advised funds and high-risk project portfolios. To ensure the highest impact possible, board members are usually represented in these collaborations. Where needed, new organisations might even be established to facilitate this task.
    - Another foundation engages in long-term strategic alliances with globally recognised institutions such as large NGO and supranational organisations active in humanitarian movements.
  - 5 foundations issue calls for proposals to stimulate a given field of interest, and an equal number accepts recommendations from third parties. In both cases, candidates then follow the normal application process.

- **Which criteria are used to assess projects?**
  - Foundations were asked to indicate the relevance of various project assessment criteria, according to their own selection processes. As shown in figure 2 below, there is mixed feedback on the importance of these criteria.
  - The criteria perceived as highly important by the majority of foundations are those focused on the fit between the supporter, the project and it's expected impact:
    - The "Fit to goals of the Supporter" is seen as the most important criterion, marked by all as highly important. The approaches taken to assess this fit vary between checklists in an application form to multiple interview rounds when establishing partnerships.
    - 10 foundations regard "Expected impact after project closure" as highly important while 9 do so with "Expected impact during project".

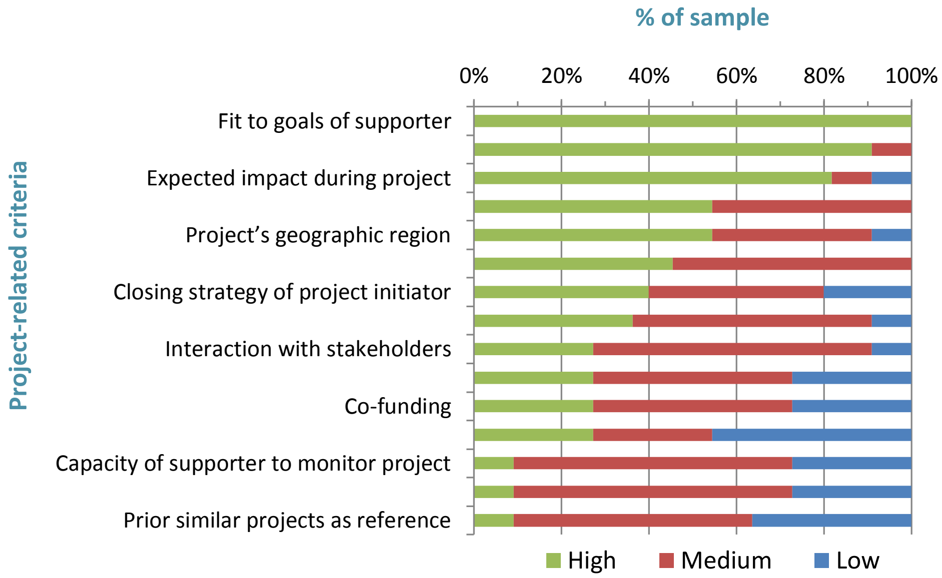

Figure 2 - Relative importance of criteria used to assess projects.

  - The criteria mostly rated with high or medium importance are usually related to a foundation's strategic preferences (e.g. region, approach, interaction with stakeholders) or then to formal project aspects (i.e., budget, co-funding and milestones)
  - Other criteria are considered less important:
    - The criteria "Capacity of Supporter to monitor project", "Duration of project" and "Similar prior projects as reference" are ranked as highly important by only 1 foundation.

- **Which criteria are used to assess project initiators?**
  - Regarding the criteria used to evaluate the organisations behind the project, shown in figure 3, some criteria are consistently perceived as highly important:
    - The "Capacity to execute projects" is considered the most important criterion with all surveyed foundations ranking it as highly important.
    - "Transparency and disclosure", "Capacity to coordinate projects" and "Initiator's experience in this area" are seen as highly important by 10, 8 and 7 foundations, respectively.

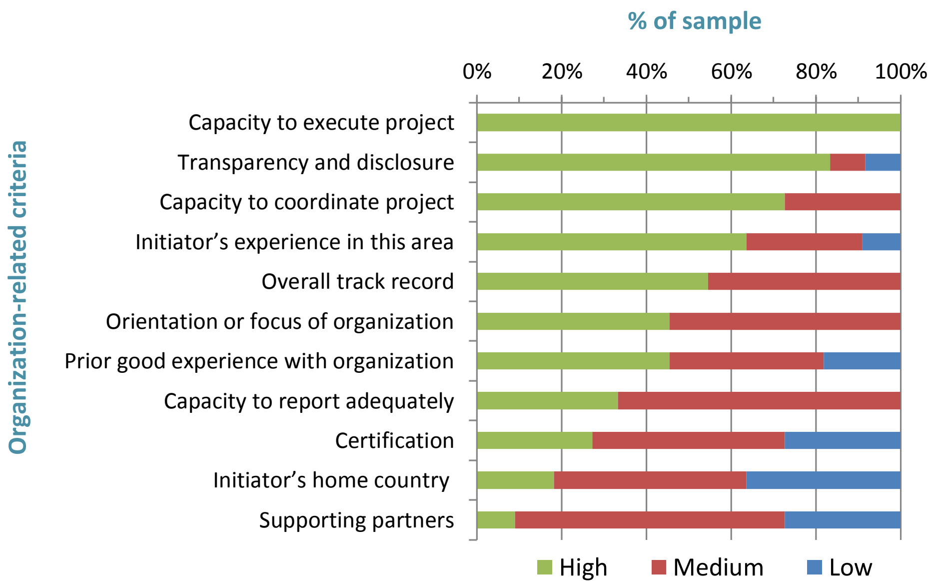

Figure 3 - Relative importance of criteria used to assess project initiators.

- Other criteria are considered less important:
  - The criteria "Organisation's home country" and "Supporting partners" are considered highly important by 2 and 1 foundations, respectively.
- Overall, it is interesting to note that foundations tend to attach higher importance to organisational aspects rather than theme-specific ones. As explained by some of the participants, it is difficult to develop an expert view when they support many different fields. As such, they focus more on selecting initiators that can execute well. In addition, they partly rely on the trust factor and on the occasional input from expert practitioners within their network.

- **Which risk factors are considered by foundations?**
  - Out of a set of different risk factors, foundations were asked to identify which are considered during their selection process. As shown in figure 4, participants expressed greater concern with those related to the capacity of initiators: human resources (i.e. ability, integrity and trustworthiness of applicants' employees) and reliability of applicant.

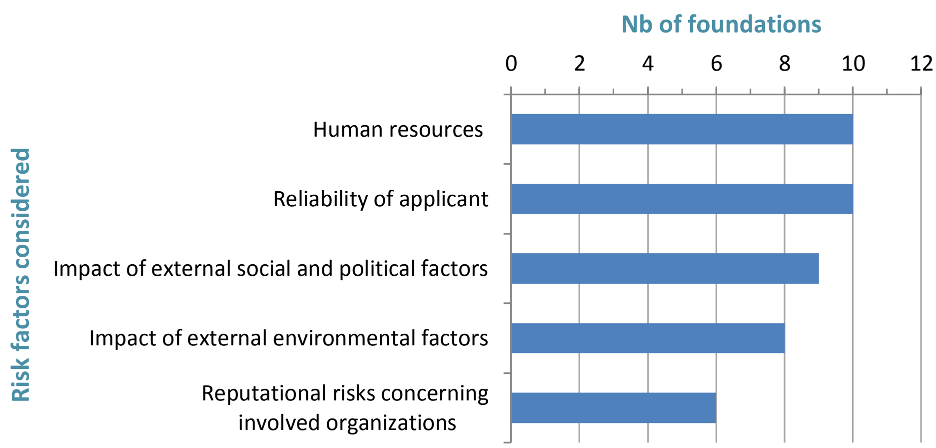

Figure 4 - Relevance of different risk factors.

- The impacts of external social, political and environmental factors are also relevant for a majority of the sample, since they can interfere with the capacity to execute a project or undermine the results achieved.
- Reputational risks were also referred to by 6 out of 11 foundations, indicating how foundations take a longer-term view to their relationships and standing in the community.
- An interesting perspective on risk-taking is given by one of the participants. Being a large foundation, it feels an obligation to take on ambitious goals rather than stay in the comfort zone and produce a small impact. As such, it has positioned itself as a risk-taking organisation, prepared to incur a higher risk of failure for the sake of innovation. In order to minimise unnecessary risks, it has deliberately adjusted its processes for this type of high innovation/ failure risk situation, constantly evaluating them to ensure that they remain robust and effective.

- **Which risk management mechanisms are used?**
  - To maintain their influence over the duration of the entire project, all surveyed foundations pay out the grants in instalments (i.e. staggered funding). This is shown in figure 5 below.

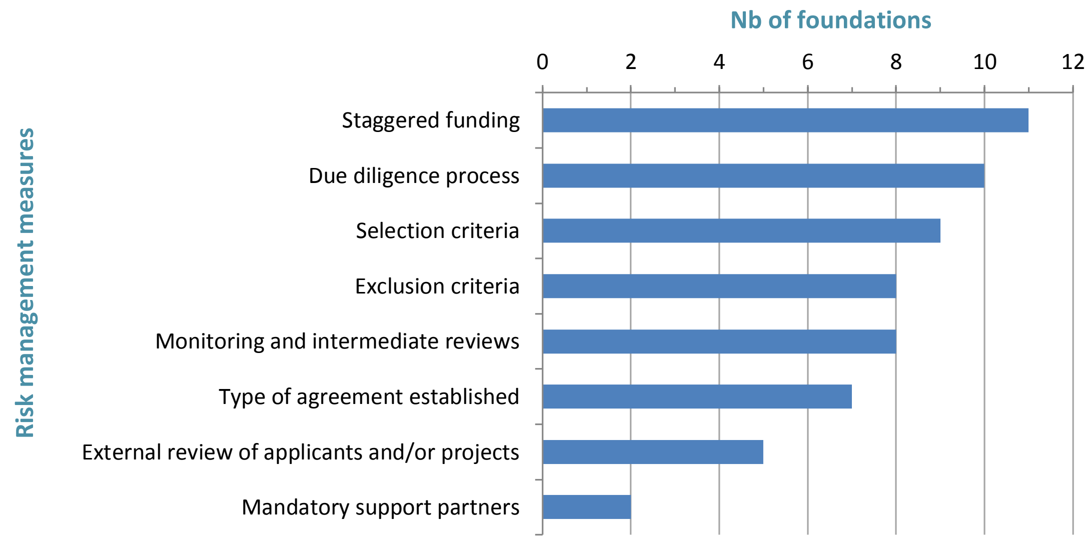

Figure 5 - Usage of risk management mechanisms

  - Other risk management mechanisms are consistently used by most foundations:
    - Some are used already at the selection process to reduce exposure to certain risks. Due diligence (10 foundations) is usually combined with selection and exclusion criteria (respectively, 9 and 8 foundations). Adjusting the agreement linked to the grant is another mechanism, used by 7 foundations.
    - During the project, monitoring and intermediate reviews are used by 8 organisations. Some organisations only request a final report even if the project extends over a calendar year (normal period for an intermediate report). This is usually the case for projects supported with smaller amounts.
  - Risk management mechanisms considered less important are external reviews of applicants (5 foundations) and mandatory support partners (2 foundations).

- **Which characteristics are apparent in the grant-making process?**
  - In general all participants have a good level of transparency, using their website to provide a portrait of their organisation. The most basic websites state their goals, areas of focus, application process and contact. The most complete ones also provide information on programmes, present and past projects, team members, support documentation and so on.
  - All use their websites to inform on their selection process and areas of interest, albeit with differences. The most basic websites include a single document with application guidelines, forms and other prerequisites. The more complete ones also indicate review periods, when to expect feedback, eventual exclusion criteria, etc.
  - Regarding the submission of funding requests, some foundations have a one-step approach where applicants submit everything needed for decision in one go. Others have a two-step process: a shorter project outline is handed in first from which the foundation then chooses the most suitable and high-quality candidates to submit a full application.
  - When an application is received, in nearly all cases the office is responsible for ensuring its completeness and for making suggestions upon which the board decides. There are differences in what “the office” means, however:
    - In some cases, it is done by the programme manager. This is generally the case with larger foundations which have separate teams for each program.
    - In other cases, usually the smaller foundations, it is the managing director (“Geschäftsführer”) who makes these suggestions.
  - Our sample revealed a few interesting exceptions in terms of internal organisation:
    - In one exception the responsibility for selection is “moved up” to the board. In this small foundation, each board member is assigned to a given project theme and is responsible for reviewing the projects and the contact with applicants. These are then formally discussed among each other at 3-4 annual board meetings. This allows the foundation to keep a very light structure, with only one support staff member.
    - In another exception the decision is “moved down” in the organisation. In this large foundation, programme managers (PM) make grant recommendations which are then discussed and selected (by consensus or vote) by a team comprising the PMs, managing director and remaining team heads. The recommendation on each grant has to be signed off by the director and president of the board. The full Board is routinely informed of decisions taken by this process. Their deeper involvement and approval is only formally required on large volume projects or where interesting projects fall out of internal criteria. Although non -binding, the input of board members is also sought for projects that are potentially controversial, long-term, or part of a larger relationship.
    - In other cases, the process is different for large-volume projects where a special request needs to be submitted to the board.

- **What are the challenges in the selection process?**
  - Quality of funding requests:
    - One overriding concern of foundations is to attract applications with a high degree of quality and novelty which is not always possible.
    - Often, foundations receive applications which do not match their stated focus or disregard their guidelines for support.
    - Foundations encounter applications which are incomplete or not self-explanatory, which can result in time-consuming follow-up work.
    - The lack of comparability among applications (i.e. "comparing apples and oranges") is also noted as a major challenge.

    → Foundations deal with these challenges by improving their external communication and using their website to present clear application guidelines. Most applicants can be referred to the. This also allows foundations to filter out incomplete applications in a more systematic manner.

    → Another approach is to introduce a two-step application process, as discussed before. This results in shorter feedback times and lower effort for both applicants and reviewers.

    → One of the (smaller) foundations has arranged the online information for applicants as a clear and thorough step-by-step workflow, for each area of support. Such approach enhances the fit of applications which makes the work much more efficient on both sides.
  - Reliability of project initiators:
    - The fit between foundations, project initiators and their partners is hard to examine. Also, it is difficult to determine the initiators' ability to tackle the problem at hand and to achieve the proposed social change.

    → Numerous foundations indicate that an efficient mechanism to avoid such problems is to continue working with project initiators (and other partners) with whom they have made good experiences. In case of projects with new initiators, foundations often tap into their network and ask people, co-funders and other relevant organisations for references.
  - Project region:
    - Projects in politically instable regions are challenging. There is often significant need of support but overall success is uncertain. For instance, a project might have been stopped due to unsafe conditions or there might be a reversal of government policy that affects local conditions. Circumstances like these could easily make all interim achievements worthless.

    → In the case of instable regions where support is considered necessary and worth the additional risk, a lengthier due diligence process takes place. This might involve, e.g., gathering input from organisations and experts with local experience, discussing stakeholder management, assessing additional risk factors and how the project plans to deal with them, which contingency measures are considered, etc. The goal is to identify and address the risks specific to that area by adapting the approach, selection of partners, etc.

- Some foundations with a geographic focus on Switzerland occasionally find it difficult to source or create enough projects locally. For example, it might not be possible to extend further the habitat available to an important species due to competing land uses.

→ Some of the foundations compensate by supporting projects with similar goals in neighbouring countries (i.e. Liechtenstein, Austria and Germany) where potential positive effects spill over into Switzerland. In the above example, this might involve restoring a contiguous habitat across the border, thus increasing the overall area used by the species.

- Expectation management:
  - Foundations often spend a considerable amount of time responding to applicants' questions on requirements, funding amounts and chances of success. Also, some initiators disregard information available in the website and press for additional details. In these instances it is often challenging to manage expectations that initiators have and to avoid false hopes.
  - To a certain extent, foundations try to direct how and when interactions with initiators should take place but are usually also flexible. Other than that, none of the participants has developed a formal policy for interacting with initiators.

→ Foundations try to refrain from making commitments by email or phone and refer applicants to their application guidelines. This is especially important since many applicants try to assess their chances of success and the maximum amount of the grant, which foundations prefer not to reveal in advance.

- Usefulness, timing and impact
  - Due to incomplete information, foundations occasionally find it hard to assess if there is a real need for a project and if similar projects already exist.
  - In addition, there is a high level of uncertainty about whether the goals are attainable within a certain timeline, the likelihood of potential impacts and the capacity of a project to become self-sufficient once funding ends. Although projects on a higher political level can be very effective and quick in changing the system once established, they are also very risky and require a long, constant commitment.

→ Over years of experience in grant-making on a given field, foundations build up deep knowledge on a given theme, project management and the different stakeholders and organisations involved. This guides the expansion of their network within the community and beyond and helps foundations when making challenging decisions. In some cases, lessons learned are also accumulated (mostly informally) in order to prevent the repetition of mistakes.

4. PROJECT SUPPORT

- **How do foundations spend their annual budget?**
  - Most foundations have an approximate funding allocation target for their focus areas. These targets are usually dependant on annual inflows (e.g., proceeds from invested assets) and are reviewed once or more often per year.
  - Most participants stated that there is room for flexibility to adjust programme budgets and that also projects are primarily selected for their appeal and quality.
  - Several examples of larger shifts in the funding allocation were provided:
    - The board and/or management might decide to put more emphasis on an existing focus area or even to establish a new one during the year.
    - More abrupt shifts have been observed when a foundation perceives a rising degree of urgency to act on a given field.
    - A significant increase (or decrease) of funds might occur during the year. In the case of one foundation, a massive inflow had to be absorbed by extending some of the existing projects and establishing new ones with strategic long-term partners.

- **Do foundations require projects to be co-funded?**
  - 5 foundations make a first commitment but require applicants to secure complementary sources of funding before disbursing the funds. If there are changes to the project proposal during this stage, the funding decision might be reviewed before the final approval.
  - 3 of these require a minimum fixed percentage (50%) or volume to be co-funded.
  - Generally, there appears to be no requirement on the number of alternative sources.
  - Foundations appreciate that their co-funding requirement causes additional work on the initiator side but have reasons to do so (e.g. risk-diversification, cooperation/network with other donors and wider alignment of interests). Risk-diversification relates to both foundations and initiators: foundations can reduce their financial risk of project involvement while initiators avoid becoming too dependent on one particular donor.

- **Do foundations also support for-profit ventures?**
  - The primary focus and preference of all foundations is on not-for profit projects and the support of non-profit organisations.
  - 6 foundations have supported for-profit ventures in the past, but only rarely. 5 of these had been developed by for-profit organisations. These cases where either related to projects with a self-sustaining strategy, a particular mechanism (e.g. microfinance) or to the provision of lowest cost services or goods for a given need. Other than that, for-profit engagements were sometimes pursued for reasons of practicality and necessity (e.g. out of their normal funding scope and process).
  - The support of for-profit projects was often tied to the topics of impact investment and venture philanthropy. There is a clear but cautious interest on these topics and foundations prefer to remain as observers for now. Several reasons were indicated:
    - Foundations need to acquire sufficient expertise and a different set of tools and skills to handle these projects.

        - The risk profile is very different and there might be legal implications in case of project failure.
        - If these projects have a profit requirement they come closer to an investment of the foundations' assets than to philanthropy.
        - There might be statutory impediments in some cases.

- **Which other types of support are provided?**
    - Other than financial support through grants, 9 respondents also provide access to know-how and coaching for projects. This might extend to support in organisational activities such as strategic planning, capacity building or project evaluation through external entities. For two of the large foundations, this is tightly integrated into their process and might be set as a pre-condition for funding.
    - In addition, 7 foundations make their own network and contacts available to grantees.

5. MONITORING

- **Which monitoring indicators are used?**
    - All foundations stated that using only general indicators is not adequate. Applied (key performance) indicators are common but usually tailored to the specific project area.
        - Examples of project-specific indicators include metrics that are environmental (e.g. bird counts, area under protection), social (e.g., decrease in waterborne diseases, people reached by campaign) or economic (e.g., decrease in assets lost in floods, increase in earnings through improved livelihood opportunities).
    - As a solution, some have established a framework that allows them to use project-specific indicators while retaining a measure of comparability between projects regarding progress, success, etc. Others maintain a less structured approach.
    - The general approach to monitoring is the following:
        - Milestones (e.g. budget, timing, outcomes) are agreed upon with project partners (and/or stated in the application form) and compared with the progress and the current status. It was observed that the larger the project, the more emphasis is put on monitoring.
        - Intermediate and annual reports represent the main input. These are reviewed by the office (program manager or director) or even by the board, depending on the foundation. Some foundations conduct site visits and meetings with initiators as part of their regular monitoring process.
        - Foundations seek to understand the various factors that interfere with the achievement of objectives, including technical and organisational factors as well as processes. Most of them actively request that initiators disclose obstacles and challenges promptly and transparently.
        - In case of difficulties, some foundations require explanations and seek to discuss potential counter-measures with partners.
    - There are however clear differences in the intensity and depth of monitoring:
        - A large and globally active foundation has a monitoring matrix for its entire project portfolio, which provides an overview of the current status whenever needed. It relies on input from project owners, external sources and staff and is shared with

involved parties as needed. The matrix comprises all indicators per project/initiative, including general items such as actual versus agreed budget and the overall achievement of goals.

- One foundation, which also provides philanthropy services, puts particular emphasis on continuous monitoring and requires quarterly reporting (financial, project progress and milestones) and SWOT[2] analyses that are fed into performance cards.
- Some of the small and large foundations have indicated that monitoring cannot be done systematically, although they always require regular reporting. This is mainly due to lack of internal availability.

- **What are the challenges in monitoring?**
  - Most foundations note that the major challenge is to allocate sufficient time and resources for monitoring purposes. This is particularly challenging for those foundations with a high ratio of projects per person, those which try to conduct site visits and have a large portfolio, or smaller foundations with limited staff. Several plan to put more emphasis on monitoring and controlling at a later point, but this rarely seems to be achieved. Site visits, for example, are conducted less regularly in times of high workload.

→ This challenge is hard to deal with and shows the conflict between the different processes established by foundations (selection, monitoring, etc.) and recurring internal resource constraints. As a solution, foundations focus on diminishing later risks by making a more thorough selection of projects and initiators and by setting a threshold for monitoring and controlling that fits their capacity. For example, some adjust their level of effort according to the type of project and initiator.

  - Coordination between various project partners (i.e. NGO, researchers, practitioners and policymakers) of multiple projects can be challenging. In addition, it is considered difficult to keep up-to-date with a large project portfolio.

→ Keeping a regular exchange with the parties involved is a common approach. In cases where more resources are available and there is a more integrated approach, internal controlling tools are also improved and even shared with initiators to assist discussions. One of the large foundations with a complex project portfolio developed the above-mentioned monitoring matrix.

→ One other foundation took the strategic option of only developing a few high-scale partnerships. This makes it possible to concentrate resources and in-house expertise on fewer topics and to establish a better coordination.

  - Handling the expectations of stakeholders while avoiding undue influence as a donor is a frequent concern. Some foundations state that is hard to get honest feedback from initiators as to which type and level of influence are needed from their side.

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[2] SWOT stands for "**S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats", a planning tool to assess the strategic fit of specific business activities, such as a project or another venture.

- → Some foundations dedicate some of their interactions with initiators to discuss such topics. In addition, they might also conduct stakeholder checks and mapping. This is done in-house or in cooperation with external partners. Some foundations which have not used external support so far, are considering it for the future.

- The majority of foundations are aware that project partners occasionally do not disclose on-going problems for fear of losing support. In general, foundations frequently indicate open dialogue as important but mention a lack of transparency and availability of data from initiators as obstacles.

- → This is another challenge that is difficult to address, since it reflects the asymmetric nature of the relationship. Foundations strengthen their monitoring and dialogue processes to highlight these issues early enough. When in doubt, some also consult with their network to fill informational gaps. While it is mostly an informal approach, it is frequently highly efficient given the closely knit nature of the philanthropy community.

- It is not uncommon that projects, particularly longer-term ones, deviate from the agreed objectives and budget, and that corrective actions are then needed.

- → Some foundations use the intermediate reporting periods to revise the budget and milestones. Foundations which support longer-term and larger-volume projects normally require more regular and detailed reports or meetings (in some cases, quarterly). Ad-hoc reports, or even a regular SWOT analysis, might be demanded for better insights and ability to react. The strictness or flexibility of their response depends on their diagnosis of the situation but also on internal (e.g. the level of awarded grants versus the overall annual budget, internal policies etc.) and external circumstances (e.g. likelihood of improvement, the urgency of the project, reliability of the partner, reasons for additional funding needs etc.).

- It is difficult to assess projects when milestones are not clearly defined or cannot be clearly understood by all involved parties (e.g. in highly specific science projects which are only fully grasped by the scientists themselves).

- → Foundations try to address this through their communication with partners. If the knowledge is not available in-house, foundations occasionally consult external experts or cooperate with partners which have this kind of knowledge. In other instances, an informational gap is accepted if enough trust and a strong long-term relationship with the project initiator exist.

- For many foundations, producing a long-lasting impact is extremely important. However, with many projects, the concrete results can only be observed and measured in the medium- to longer-term, thus falling out of the project's duration.

- → Most foundations recognise that this is out of their scope and capacity at this point, either due to a lack of resources or of a reliable methodology. As such, they focus more carefully on project design, track record of the initiator, better research into previous similar efforts and the inclusion of indicators with better predictive power. Several foundations stated that this type of post-hoc examination would be very valuable, even if conducted externally, but it is not in their current funding priorities.

6. FINAL EVALUATION

- **How is the final evaluation conducted?**
    - The indicators used to report results are generally the same as used during monitoring. Original or revised milestones and indicators are compared with the final outcome.
    - Final reports are normally reviewed, albeit at a variable depth: some foundations focus only on financial details while others complement their reviews with external sources of information (e.g., references in press).
    - Some foundations conduct final meetings with project partners, usually for larger-scale projects or longer-term collaborations. Project sites might also be visited.
    - If project goals are not met, this failure is normally examined. This is used by some of the participants to draw lessons and improve their approaches.
    - In general, an increased focus on the usefulness of the project and longer-term impact can be observed in the final evaluation.
    - Some also conduct assessments of the efficiency in the use of funds during projects (usually larger-scale projects), measuring actual performance versus the budget.

- **What are the challenges in the final evaluation?**
    - The challenges recognised by foundations in the final evaluation are similar to those in monitoring. Notably, these include time-constraints, transparency concerns and actual costs exceeding the original budget.
    - Some challenges were highlighted which are specific to the final evaluation
        - Most foundations find it very hard to go beyond the activity and outcome of projects and measure the actual (longer-term) impact of projects. This relates to the notion that it is difficult to define an appropriate method to measure impact and/or to identify the best evaluator to do so.

          → Foundations generally focus on project design and indicators that can provide a better insight into longer-term results. In addition, many foundations are either actively following or involved in the discussion on impact measurement and maximisation. Advances in the field are discussed internally, looking for opportunities to improve current approaches.

        - Some foundations lack the time and processes to systematically evaluate the lessons learned from past projects for future reference.

          → 4 foundations hire external parties (e.g. experts, consultants, research institutions etc.) to support them in the final evaluation. Some foundations which have not commissioned external parties so far note that they might do so in the future.

        - Once the last funding instalment has been paid to initiators, their motivation to deliver the final project documents (e.g. feedback and evaluation forms, final report) occasionally falters. This seems to occur predominately when no follow-up project is planned.

→ Some foundations retain the last instalment of the overall grant until all follow-up and reporting work has been delivered by project initiators. In addition, literally all foundations regard trusted relationships with initiators as an important factor to prevent such developments.

- Dealing with instances when project goals have hardly (or not at all) been met is considered challenging.

→ Some foundations closely examine why such situations happen and use this to improve their future approach, focus on themes or even the selection of initiators. For one of the more risk-taking foundations in our sample, these moments are expected and are seen as good opportunities to reorient the project. If the obstacle to progress is considered systemic, urgent and possible to tackle, they might even dedicate additional resources to improve the overall situation.

- **How do foundations improve their work?**
  - Within the sample, only the larger foundations have a formal approach in place to regularly monitor work, review lessons learned and guide improvements.
    - Usually, this relies on collecting specific input from one or more sources: feedback from initiators, quality checks on projects, internal closing reports by the project manager or external reviews. This information is channelled through the organisation in a well-defined way so that it is properly monitored and reviewed.
    - 3 foundations have a regular set of processes that run continuously. One other participant regularly collects the information needed but decides on a case-by-case basis whether follow-up is justified. Another one is adopting a formal framework and has defined a set of working groups to assess current status and monitor implementation.
    - In all these cases, the formal process runs side-by-side with informal mechanisms so that issues can be discussed in a timely way. According to one of the participants, continuous learning is seen as a matter of fostering the right culture and not just setting up a process.
  - Within the remaining participants, some conduct a yearly review at a higher level (e.g. board meeting), in conjunction with a review of strategy or internal processes. Others have stated not having any regular appraisal or even structured collection of data, doing it only if the need arises.
    - Regarding reasons, the following were indicated: a) less frequent reviews are adequate to a small organisation; b) pressure is low or there are more pressing priorities that require a high level of commitment; c) some lessons are too specific to a programme and cannot be used elsewhere; d) there is a lack of strategy, resources or competences within the organisation.
  - Be it formally or informally, all participants state they are flexible enough to adapt procedures as needed and that their daily experience is used to continuously improve how projects are selected and evaluated.

7. DEMAND FOR EXTERNAL SERVICES

- **Do foundations require external support?**
  - There is a clear indication that most processes related to the identification, selection, monitoring and final evaluation of projects are predominately done in-house, as presented in figure 6.
  - Most foundations invest in matching their perceived needs by building enough resources in-house. When paid external assistance is considered, it is usually meant to complement internal skills and know-how or to provide some highly specialised input. The latter is particularly the case for those foundations with more complex or sophisticated approaches.

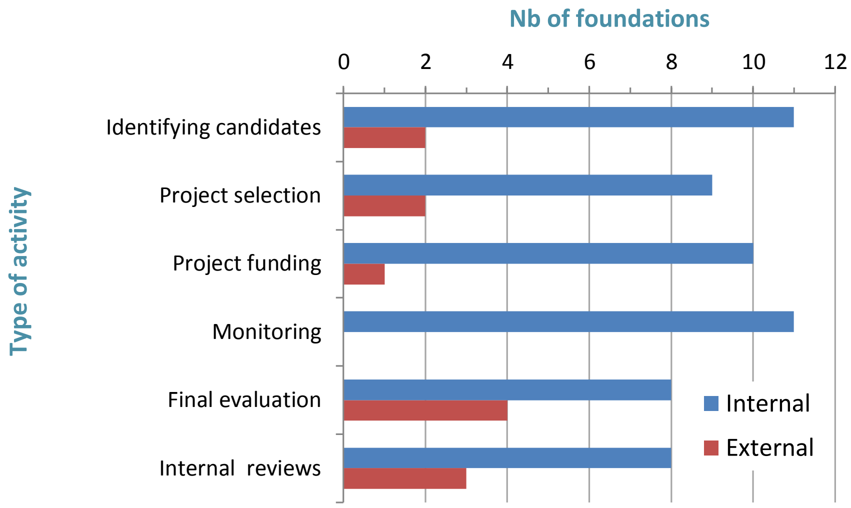

Figure 6 – Usage of internal and external resources for activities related to grant-making.

  - It was often remarked that when foundations look for external support, they do it primarily within their network in the community.
  - 8 out of 11 foundations do not use external help for the identification and selection of projects, though a few noted that it would be desirable and might be considered in the future. The reasons presented were the following:
    - Employees, management and board members have deep insights in the project landscape and a large network in the community and are therefore able to accumulate the required information on specific projects or initiators by themselves.
    - Many internal processes and project information are treated as highly confidential and are therefore not disclosed to outside parties.
    - Foundations are reluctant to use external services for something they have explicitly hired employees for.
    - It is questionable whether external support results in an efficiency gain since internal staff would still need to be involved regularly.
  - The 3 that do so see it as a complementary support in decision-making that provides an “unbiased” outside view, rather than a replacement of internal selection mechanisms. For instance, some foundations supporting large-volume projects commission external experts to provide a recommendation to the board.

- None of the surveyed foundations use external help for monitoring, although this is one of the areas where capacity constraints routinely affect internal standards. Several have remarked on the potential benefits of external help, though still wondering how this would solve some of the challenges in monitoring (e.g., effort required, visits to remote locations, reliability of data, etc.)
- For 4 foundations it is standard procedure to resort to external input to support the final judgement. This is used only for certain types or sizes of projects, either by assessing a specific case or by providing a topic or landscape analysis. A few of the other foundations considered that the outside view could be advantageous to challenge their overall approach.
- In addition, 3 foundations resort to specialised external partners to review their internal processes or even to challenge strategic options and frameworks.
- During the interviews, several examples of possible external support were suggested by the foundations:
    - The majority indicated an interest in a data register providing information on initiators beyond the existing organisational registers. This could, for example, include information on areas of activity, experience and track record, with input from supporters and experts. The goals would be to provide a better overview of the current landscape, identify possible partners or references and assist internal checks and decision-making processes. However, it was recognised that asides from being a high burden to maintain all the information needed, the usage by these foundations would likely be sporadic.
    - Another suggestion involved using a third-party to survey initiators and collect feedback on the foundations and their activity. There is a concern that initiators refrain from providing earnest feedback when asked directly by foundations, for fear of repercussions. One foundation that regularly brings all its grantees together for networking and reflexion expressed a similar perspective, despite the positive results of these events.

8. INSIGHTS FROM PROJECT INITIATORS

- **How do initiators fund themselves?**
  - According to the financial statements for 2012, the combined income of the initiators in this study was close to CHF 221 million. However, the spread is quite high with a minimum value of CHF 229 000 and a maximum of about CHF 115 million.
    - All participants are heavily dependent on funding from multiple supporters in order to operate. Usually, this funding is tied to specific projects (also called "restricted") rather than simply being placed at the discretion of the organisation (i.e. "unrestricted"). The aggregated value of donations and grants received during this same period was close to CHF 207 million, with 180 million being spent in projects. These values tend to fluctuate every year, depending on multiple factors. For 6 organisations, donations and grants accounted for more than 90% of the total yearly income. For 3 others, it accounted for only 58%, 72% and 88%.
    - Organisations with a bigger capital base also derive some returns from capital invested in financial products. This was not discussed in detail during this study.
    - 5 out of 9 initiators supplement their income by selling products or providing services. Products can be connected to their projects (e.g. solar lamps) or be more general items (e.g., calendars, plush animals) with the organisations' brand. Services include consultancy to other NGOs or conducting events for groups. Such activities brought a total of CHF 14.5 million to these 5 organisations during 2012, representing between 2 and 41% of their overall yearly income. Asides from the actual return, increased name recognition by the public is seen as a noteworthy benefit.
  - The primary sources of restricted funding are foundations and public entities such as federal agencies and cantonal or community authorities. Depending on the initiator and where they operate, funding might also come from other NGOs and agencies with an international scope (e.g. UN-related, DEZA, USAID).
  - Unrestricted funding comes primarily from donations from individuals and membership fees, followed by contributions from companies and other NGOs.
  - All initiators in our sample attempt to establish a diversified base of supporters, with a common preference for longer-term commitments. The overall goal is to manage financial risk by securing sufficient funding, minimising yearly budget fluctuations and the possible impact of losing one or two key sponsors.
  - However, there are pronounced differences regarding the underlying strategy and the capacity to orient the organisation accordingly. In part, this is correlated to the size of the organisation:
    - Bigger organisations try to actively manage their donor base. They define a funding strategy and a preferred mix of supporters. They set targets for different groups and allocate dedicated resources to these (e.g. institutional/private fundraising teams). Fundraising and marketing activities are more closely connected, resulting in a greater share of unrestricted funds. In addition, there are clearer guidelines or policies for contributions, sponsorships and partnerships. This ensures independence, safeguards reputation and enhances brand value.
    - The smaller organisations have more obvious constraints. Even if there is a strategy, the selection of supporters is more closely dependant on the personal

network and efforts of the founder(s) or manager(s). In practice, they are likely to pursue any available opportunities. Fundraising is mainly project-based, resulting in a smaller share of unrestricted funds, hence less capacity to grow the organisation. Also, internal staff is usually not fully dedicated to fundraising and has fewer means available to conduct their work.

- Another factor, particularly for smaller organisations, seems to be the "efficiency dilemma": internal staff and know-how are usually scattered through multiple activities while spare capacity and free capital are lacking. The organisation becomes locked in a certain configuration with little flexibility to change, even if solutions to existing problems can be correctly identified and seen from a more integrated, structural perspective. Unless some support is provided to the organisation itself, and not to its projects, it will not have enough freedom to increase the internal efficiency by improving tools, adopting other processes or hiring more professional staff.

- **What do initiators value the most in their supporters?**
  - Initiators indicated a recurring set of characteristics, mostly related to funding activities or to the relationship between both organisations. Figure 6 ranks these items according to the number of times they were mentioned.

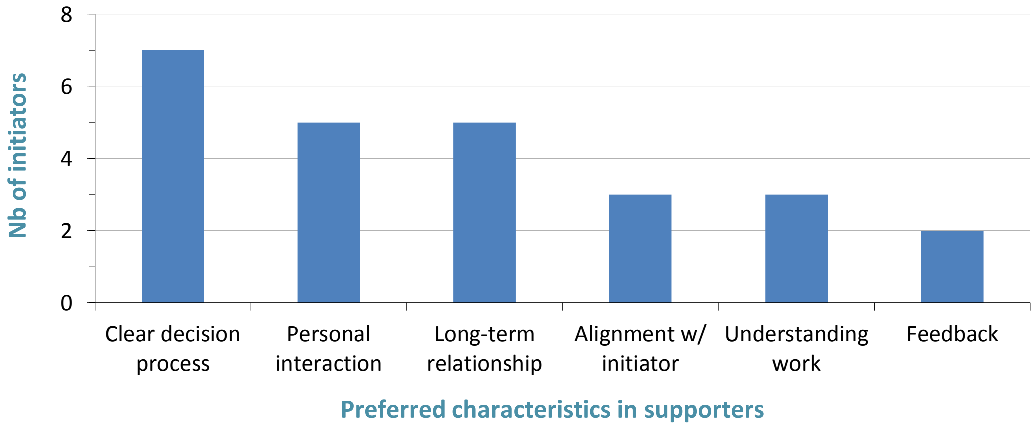

Figure 7 – Characteristics of supporters most valued by initiators.

  - Donors that clearly outline their grant-making process are greatly appreciated. Project development and fundraising efforts are core activities for the initiators in our sample, to which considerable resources are allocated. Knowing how and when an application will be decided on allows them to manage these efforts in a more efficient way.
  - Personal interactions are crucial to better understand how their supporters work and to transmit a richer picture of projects. The expectation is that this increases the chances of donor acceptance. In parallel, establishing a long-term relationship helps to build trust and to minimise budget fluctuations.
  - Being aligned with the initiators in terms of values and goals is seen as an important aspect. It is beneficial for a long-term relationship and useful when trying to handle setbacks in a positive and open way.
  - Proper feedback from supporters is usually lacking, even when there is a more personal interaction. Such an input is critical to react to donors' concerns but also to evolve according to the perspectives from both sides.

- **How do initiators handle the diversity of requirements?**
  - According to all the initiators in our sample, the majority of supporters set different conditions for their interactions with current and prospective grantees. However, managing these differences is not always straightforward.
  - The perspective voiced by most initiators is that, in order to be funded, they have to respond to the requirements of supporters. However, they also exemplified how this has an impact across their entire organisation: varying requirements make their work more irregular, harder to replicate and scale. Conflicting timelines and delayed responses create bottlenecks in the funding and execution of projects. This decreases the general efficiency of initiators, increasing their overhead level and preventing them from making a better use of funds. The following sections will highlight some of these challenges, which occur from the fundraising stage to the final reporting steps.
  - Knowing this, many initiators try to adapt internally by investing in a combination of more staff, dedicated teams, increased professionalization, better equipment and leaner processes. This requires enough free capital and “breathing room” to undertake these measures, and management needs to have enough focus and capacity to implement them. Within our sample, bigger organisations were more likely to fulfil these conditions.
  - When looking for funding, the goal is to ensure that there will be enough funds when the project is scheduled to start. During this process, initiators have to count with generally long reply periods (6 months or longer) and an overall low margin of success.
  - The common strategy is to routinely apply with a higher number of sources, with emphasis on previous supporters. Thus, more staff and time are devoted to identifying potential funders and to handle multiple application processes. Although common, this approach is challenging for initiators. Besides capturing resources needed elsewhere, it also increases the risk of overfunding which has to be carefully managed.

→ Some initiators prioritise certain supporters, based on available information, expected funding amount or previous engagements. However, this presupposes that the initiator decides to invest in better research and that this information can be found and used.

→ Other initiators only move ahead with further fundraising or with the project itself when a pre-defined threshold has been reached, such as securing funding for the first year.

  - Within our sample group it was common to have between 5 to 10 supporters per project (often more) depending on the size of the project and the initiator’s capacity to attract bigger donors. Each initiator has a portfolio of several projects, some being prepared, others running or phasing out. As such, experienced initiators plan for a very high amount of coordination and involvement with potential donors.
  - Another reason why multiple donors are the norm is because co-funding is a frequent requirement. As discussed previously, supporters use this as a way to reduce their individual risk. However, each additional donor will usually bring new conditions for the funding, monitoring or reporting and occasionally challenge the project itself. This is accepted as routine business by initiators, who tend to adapt as well as possible.
  - Two opposite ways of handling this situation were visible in our group:
    - One of the larger initiators managed to prevent any changes to project budget and structure during fundraising, either from the beginning or after securing the first 1-2 donors. This reduced the workload on the project office and partner teams after the project had been approved internally and allowed the fundraising to

proceed more efficiently. The success of this approach hinged on three factors: greater leverage by the initiator, being a large and well respected organisation; a greater emphasis on dialogue to explain its process and reasons; a focus on increasing the number of reoccurring supporters.
    - One of the other organisations complied with nearly all the requests of potential supporters. Since it had to rely on several smaller donors, many of them new, it ended caught in frequent revisions to the budget and project as it tried to secure more and more supporters. Given the small size of the team, this placed a considerable burden on the organisation and resulted in significant inefficiencies.

- **How to develop a good project and what do supporters tend to overlook?**
  - All initiators in the sample recognise that their own skill and experience alone cannot guarantee the success of a project. Since such an outcome depends on the interaction of multiple factors, they focus strongly on the value and adequacy of the approach behind the project.
  - The usage of project-specific indicators is important but, since their usefulness depends on the type of project, they should remain aligned with a broader framework.
  - To define a good project and aim towards a greater, sustained impact, the following project characteristics are considered crucial:
    - Develop an approach that is systemic and coherent, and as integrated as possible with the local context (e.g., culture, laws, and resources).
    - Tend to real needs and be driven by concrete demand.
    - Rely on the right incentives and secure a solid buy-in and involvement from beneficiaries and other stakeholders.
    - Ensure an adequate level of capacity-building and transfer, particularly when tools and skills need to remain with the beneficiaries of the project.
    - Aim for a long-term effect and promoting self-reliance (*"Hilfe zür Selbsthilfe"*).

  - Over time, initiators develop an external view of different supporters and can compare the way they choose projects and interact with grantees. When asked which project characteristics tend to be overlooked by supporters, the following items were referred:
    - It is necessary to apply proper approaches, e.g., along the items outlined above, when aiming for sustainable and systemic change. However, the differences between NGOs, their level of professionalism and capacity are not always adequately assessed by foundations when selecting for funding.
    - It is essential to have a good knowledge of conditions in the field and to adjust the project accordingly, both before starting and while running. This is often overlooked during the selection stage and not contemplated by supporters as something to be funded.
    - It is important to understand the lifecycle of the project, the time required for creating an effect (e.g. in income-generating projects) and to define the proper exit strategy when the project is over (be it a normal or unexpected closure). These aspects are often overlooked during the selection stage and in later interactions with supporters (e.g. reporting).
    - An increasing number of supporters are tying funding to "high-innovation, low-risk" requirements, without making their goals clear and well aligned to their

selection process. As such, there is a mismatch when assessing the focus areas of initiators and their approaches. Moreover, supporters might still expect to obtain stable, long-term solutions even though this type of projects is more experimental and carries an additional risk of failure.

- **What is the value of reporting and how is this handled?**
  - Within our sample, the value of a solid reporting process was described in two ways:
    - Internally, it supports monitoring, steering and appraisal of project-related performance.
    - Externally, it is used as a communication tool to comply with funding requirements and to provide adequate disclosure to supporters (and other stakeholders). This should support them in their own internal processes.
  - The value of reporting depends on how this information (and associated effort) is effectively linked to other activities of the organisation, e.g., supporting further decision-making, accountability towards donors, better outreach, etc.
  - All organisations produce a final report for each project. Some also produce intermediate or yearly progress reports, depending on internal practices and requirements of supporters.
  - In terms of internal responsibility, it depends on the structure and size of the organisation. Reporting responsibilities might lie with the project, communication or fundraising teams or then involve the articulation of all. In smaller organisations, the same person often performs all the above functions.
  - Collection of data for the report is usually done by the project team or partner that is closest to the ground and then worked on by the project or central office. For initiators with more complex projects or with a higher number of projects and partners this is considered a must.
  - Most initiators have to cope with frequent disparities in the systems used to collect and maintain data (e.g., measurements, financial records, etc.) and at the level of skills and equipment available.

→ As a solution, the majority of initiators centralise the data revision. Several others also try to address the problem at the source by investing in capacity building and the adoption of shared tools.

  - Regarding the effort involved in writing a report, there seems to be a common lower limit. The minimal level of effort indicated for redacting each report was 0.5 to 1 person-days, frequently extending to 2 days. For bigger projects and initiators with a more professional reporting, the normal level is closer to 5 days.
  - It is standard practice to produce multiple versions of reports, primarily due to diverging requirements of supporters. In general, it was not considered desirable to fully outsource this task, given the importance of ensuring a good report and the detailed knowledge on the project and donors that is involved.
  - The following approaches to reporting were collected:
    - The common approach is that the person responsible for fundraising produces a master report, which is then adapted for individual donors. Given the high number of projects and supporters, the resulting workload remains very high but is handled more efficiently. For the majority of our participants, a minimum of 45-60

person-days are spent every year in writing reports (not including data collection and normalisation).

    - 2 initiators took a step further and distributed work differently. First, the requirements from different supporters were compiled into a single list. After an internal discussion, a revised version of this list became part of the standard internal reporting. Each project team became responsible for providing this data with each project report. This approach moved the work to those closer to the project and with more expertise, reducing the load on the team responsible for fundraising and external communication.
    - Another organisation worked in the opposite direction and aimed to constrain the customisation of project reports so it could be better aligned with internal processes. By actively engaging with their supporters they managed to gain their acceptance for this change.
- Regarding how these reports are used by initiators, considerable differences could be observed within the sample:
    - For one of the large organisations, project reports serve two main functions. First, reports are a tool to support their internal monitoring and steering processes. This means that reports follow an internally consistent approach that can be deployed more efficiently across the organisation. Second, reports are used to support external communication needs, including those from donors, but the number and type of variations is restrained. Instead, additional communication tools are used to supplement reports. Besides the way how the issue was discussed with the supporters, the size and track record of this organisation likely gave it more leverage to implement such an approach.
    - For one of the smaller organisations, the only goal of reports is to fulfil the requirements of supporters. This is the only possibility since internal resources are already taxed with producing multiple variations of the same reports throughout the year. As such, there is little opportunity to leverage this effort otherwise.
    - For the remainder, there was usually a combination of measures such as streamlining the reporting process, better internal use of the data or negotiating reporting requirements with supporters. The exact approach and success was highly variable.
- Regarding the usefulness of reports to supporters:
    - It was generally considered that project reports should bring some value to supporters given the information they contain. However, all initiators pointed that there is a general lack of feedback from supporters in this regard. This prevents them from properly assessing how useful or adequate their reports are and to improve them accordingly. For many of those that provide feedback, there seems to be a common bias towards the financial aspects of the project.
    - Further, it was considered that reports are possibly taken as a pro forma by many supporters, either because of their own constraints or by deliberate option.

- **What are the main challenges for initiators?**
  - Some challenges faced by initiators in their relationship to supporters are specific to certain stages of a project. Others seem to have a common underlying cause and are more structural in nature.
  - Access to information:
    - It is particularly important for initiators to have enough information on specific funding areas and requirements, in order to better target funding sources and to orient their work more efficiently.
    - During fundraising, for example, initiators have to manage a very high effort, low return process with scarce resources.
    - However, application processes and response times are usually not provided. It is currently very difficult or simply too time-consuming to obtain enough information in a clear and transparent way. Different solutions to this problem were observed during the study.
    - Most initiators assemble their own lists of donors from different sources of information, depending on internal know-how and time available. These lists have a varying level of sophistication, completeness and integration with other activities of the organisation.

→ In one of the best examples, this information was centralised in a reliable file format and updated on demand. In addition, subsets of this data could easily be made available to fundraising, communications, project teams and even management (e.g., as input to the definition of strategy).

    - Regarding external help for research, almost all organisations were either open to hire or had previously hired someone to obtain additional data on funding sources. However, initiators were also somewhat wary of this approach. One initiator noted that the return on investment was not clear since there was no guarantee of increased success. In addition, there could be more contacts to follow or a better basis for a pre-selection, but the fundraising effort still had to be conducted by the initiator itself.
  - Dialogue:
    - There is a general lack of opportunities to convey and receive adequate feedback from supporters. At a more immediate level, establishing a personal connection and dialogue is sought by many initiators as a way to ascertain their chances of being funded. This often causes a strong pushback from foundations, which have to handle many requests of this nature, need to manage expectations and prefer not to commit in advance. However, at a deeper level, a good dialogue will help both sides to create a better relationship, by understanding each other's goals, processes and results.

→ Most organisations either conduct sessions with their supporters or consider doing so, to strengthen dialogue. In addition, some try to actively promote presentations of their projects or signal that they are ready to do it on demand.

- Internal capacity:
  - Initiators often lack the resources or opportunity to achieve greater organisational efficiency, in order to make a better use of the funds provided by supporters.

  → The most common solution, when capital is scarce, is to tackle the most obvious shortcomings one-by-one, i.e., hire more staff, improve internal tools, etc. In general, there seems to be a concern with having a coordinated strategy for these changes but not all organisations have the same level of know-how and skills. Only those with more resources seem able to make the necessary commitment.

  - Initiators attempt to produce and transmit the information from field to supporter in a cost-effective way but are faced with several barriers. The following difficulties are noteworthy: a) obtaining reliable field data, particularly when coming from partners with limitations in know-how, capacity or different implementations; b) data which is not within the main focus of the initiator but is requested by the supporter; c) when there is no robust methodology to obtain it; and d) the diversity of reporting formats.

  → The first step taken by several initiators is to move the responsibility to collect and harmonise the data in-house. Some took the additional step of revising the data flow and optimising the corresponding processes by redistributing staff, harmonising timelines, deploying better project management and reporting tools and providing adequate training. One initiator went even further and monitors performance regularly in order to correct possible deficiencies.

9. CONCLUDING REMARKS

- The data collected during this study highlights the diversity of structures and approaches taken by grant-making foundations and project initiators, together with some of their shared challenges.
- All foundations in our sample invest their own capital to simultaneously stimulate and enable change on a set of public issues. In essence, they outsource the production of change by supporting other organisations, such as the project initiators in our sample.
- Foundations have to assume several risks: they deal with a multitude of project initiators, which display varying skill levels and often pursue approaches that are hard to scale or replicate. The relationships are usually direct and done in a self-regulated setting but the outcome cannot be guaranteed and is hard to predict reliably. In addition, the return on capital is measured not in standard financial metrics but by the improvement in a variable set of social, environmental and economic indicators. However, the mechanisms for traceability and evaluation of results are not uniform or not always well-developed.
- Initiators, on the other hand, are reliant on the continued support from many different entities. Such support is predominantly tied to specific projects and has to be continuously renewed. They usually specialise in a particular topic, region or approach, but are constrained in their capacity and available funds to grow and become more efficient.
- For both sides, operating in such an environment requires a constant update on expert knowledge, valid approaches and relevant stakeholders, coupled with strong management, controlling and networking capabilities.
- As seen in our sample, foundations adopt different solutions to overcome these challenges: they focus on the amount of topics and relationships that can be managed; adopt different mechanisms for selecting and controlling their portfolio of projects; adjust external communications; and develop their network for support in specific areas.
- However, there are significant differences on how foundations are configured and how their capacity evolves over time. In general, there are funds available to grow but internal constraints in terms of the resources, experience and level of skills available were identifiable. Also, strategy and processes are not always well-tailored to their goals and size. The focus on continuous improvement and the capacity for self-learning are also highly variable, with noticeable effects on the organisation.

SELECTION AND FUNDING

- Selection of projects and attribution of funding are seen as core competences by our sample of supporters. Most of their efforts and build-up are directed to manage this internally. External support is usually saved for certain specialist roles.
    - All are concerned with developing a reliable mechanism to identify and select projects. For most, the selection process is subject to a progressive improvement, although the actual pace of change is constrained by strategic choices and internal resource limitations.
    - In addition, most communicate their focus and process to prospective candidates transparently, albeit with differences in terms of content and user-friendliness.

  - There is an interest in retaining a good amount of freedom, to cope with changes in budget, interest in refocusing efforts or simply to moderate the expectations from initiators and prevent "gaming of the system".
  - For the most part, participants consider that they are capable of securing enough good projects although some insufficiencies were also pointed out.
- Initiators devote a sizeable fraction of their resources to secure funds. Asides from managing projects and developing expertise, fundraising is seen as a core activity by this group.
  - In general, activities are conducted with a professional attitude, even if the level of experience, resources and skills varies greatly within our set.
  - Initiators tend to be more open to rely on outside providers or partners, even for some essential functions. This seems to be more so for smaller organisations, where barriers to growth are stronger. Although all are concerned with having enough in-house resources for different tasks, they are pressured by donors - and even the public - to use funds predominantly for projects. Some tasks are then outsourced as irregular or one-off items, rather than being internalized.
- According to both sides, there is an excessive amount of applications, not always well directed or well-formed.
  - For initiators, this situation relates to one of their main challenges, the lack of transparency from supporters, which leads to non-optimal strategies and a big compensation effort to secure funding. This can be seen as a negative feedback loop, where less transparent supporters drive initiators into making more enquiries and filing more applications, resulting in more work for both sides and making it harder to develop quality projects. In addition, it increases the incentives to conduct fundraising in a less professional way, where quantity prevails over quality.
  - Supporters in our sample suggest that increased transparency has led to a marked decrease in such cases. In addition, it also creates a positive feedback loop in the selection process, attracting more high-quality applicants, reducing overall effort with processing, and supporting more productive relationships. As noted above, this also has a positive impact on the efficiency of initiators. Nonetheless, even these supporters impose limits on disclosure to avoid excessive rigidity and manage expectations.

- The lack of transparency is often accompanied by insufficient communication, from the initiators' point of view. There is a concern amongst supporters that the demand for their feedback becomes excessive. In response, some supporters opt for reducing their public presence.
- However, initiators have a permanent incentive to continue networking and researching for funding sources. The public domain contains plenty of contact information on foundations but not enough on their focus. This means that it is hard for a foundation to remain in the background and attract mostly applicants with a good fit.
- Rather than simply curtailing communication, it is strategically preferable to guide it from the beginning, in order to set the baseline and educate potential candidates.

→ The recommendation is that foundations clearly state their preferences publicly (e.g. via website), and look for opportunities to align themselves with other peers. The emergence and use of forums promoted by interest groups such as Swiss Foundations or ProFonds is also of tactical advantage and should be considered.

→ The willingness to provide feedback to external parties should be clearly framed, in order to manage expectations. Collecting input from other stakeholders, such as initiators, should be of value when defining a framework for feedback channels.

→ In addition, the usage of new mechanisms to obtain and distribute information on supporters, initiators and topics of interest should also be explored and well integrated with internal processes.

MONITORING AND REPORTING

- Monitoring and reporting are seen as part of the funding process by both sides. Chiefly, it is seen as a control process that ensures a certain level of external and internal accountability. Some supporters and initiators derive additional value, using it also to gather input for further improvement and more efficient use of resources.
- However, it is demanding to maintain a proper monitoring scheme (regarding data, indicators and checks), and in many cases there is a shift to a more pro-forma approach. The following reasons seem to apply:
    - There is a lack of a reliable, more-encompassing methodology that allows supporters to cover different fields and to compare different projects in a less resource-intensive way. It should be noted that, for some supporters, the level of detail required will always remain high and specific.
    - There is a constant high level of work on the foundations side in association with selection, funding and networking. These are given priority from a management point of view. This results in frequent resource constraints that prevent a deeper monitoring effort.
    - Reports are mostly used to close a grant process, and monitoring is not always used to review on-going projects. Further, there is no systematic review of results for sharing feedback or for learning purposes. As such, there is often limited incentive to divert internal manpower from e.g., selection and into these tasks.
- Foundations in our sample apply different approaches to this challenge. However, it is clear that several of them are either not focused on or adequately structured to cope with this task. Some of these have reduced the requirements to initiators, in a more honest admission of their limits, while others keep on requesting information they will not use. This is also a source of inefficiency for initiators, which attempt to comply with whatever is requested.

→ The recommendation would be that supporters carefully assess their reporting needs and requirements at regular intervals. From a strategic point of view, these should be closely integrated with other related processes, to ensure that requirements, uses and allotted resources are well balanced. Developing better information-sharing mechanisms between supporters and with initiators, perhaps in line with co-funding partners, could be a useful approach to overcome part of the problem and to strengthen networks.

LEARNING ORGANISATIONS

- The first observation is that participants learn and improve from previous experiences mostly in an informal way. The more formal approach is followed only by larger organisations. Given the size and structure of most organisations in our sample groups, this can be an adequate way to learn from experience and improve as needed.
- However, there were several indications that the collection of information or the required management practices were often not in place or then not implemented in an effective way. In practice, this means that these opportunities are not being properly handled, be it for lack of focus, priority or resources. Keeping an organisation fit contributes to producing effective and efficient results. For those organisations concerned with making the best use of their capital and human resources, this aspect is likely to be important.

→ Some organisations in the sample have clearly defined their needs and preferences for self-improvement, be it sporadic or continuous. They carefully assess their current status and actions needed, with a framework that defines clear goals, processes and input for decision-making. Moreover, there is an attempt to create a positive feedback loop inside the organisation to sustain further improvements. Regular attention is paid to this topic, e.g., in conjunction with strategic or programme reviews. The level of formality is adjusted to the individual size and structure so it is adequate but not too rigid or consuming.

- For most of the participants, it is important to assess the impact of both the individual projects and project portfolios in order to determine how effective their actions are. However, the majority restrains this assessment to the timeframe of the project, even though they elect long-term and systemic change as a central goal.
  - Many foundations only fund the project itself but not the baseline or follow-up research, meaning that the longer-term impact cannot be assessed. Most initiators cannot carry this type of work unless they are funded.
  - Those that attempt to determine impact and allocate enough resources still have to address the methodological challenge, with a frequent trade-off between depth and breadth.

→ The recommendation is that supporters devote enough resources to evaluate past results and to assess the longer-term impact of both supported projects and of their own funds. This can be done internally or with the input from external partners, as some foundations do.

→ In order to be achievable, such effort should have a well-defined and manageable scope. In order to be useful, it should aim to produce concrete improvements in the organisation and be linked to internal and external actions. Internally, lessons learned could be used to, e.g., assist future decision-making or improve the quality of projects according to certain metrics. Externally, results could be shared more broadly within the community to stimulate the development of methodologies that are more robust and accessible.

A CHANGING PANORAMA?

- The above-mentioned issues have gained new relevance with the rise of funding approaches such as venture philanthropy (VP) and impact investing (II).
    - These approaches are part of a larger on-going shift, as the topic of sustainability becomes more common in the business world and society. As a result, a lot of resources and attention are being used to tackle existing problems via new initiatives.
    - VP and II create strong incentives for the adoption of for-profit business models to traditional philanthropy issues (e.g. social entrepreneurship). New organisations are being created at a high rate, many of them lightweight and highly technological. With them come different ways of evaluating management, performance and impact.
    - In addition, they also bring new tools and expertise into this sector. Many of these tools are IT-based solutions that facilitate the collection, sharing and analysis of data. This has a possible impact on, e.g., monitoring and reporting processes, by offering cost-effective solutions for philanthropy and projects developed by “traditional” organisations.
    - In parallel, foundations are being encouraged by entrepreneurs, financial intermediaries and other interest groups to use their assets to support for-profit ventures via these new approaches. Such a move has deep implications on both the operative and asset management side of foundations. Foundations are therefore mostly cautious but also attentive to the on-going discussion.
    - Amongst initiators there is a greater potential for disruptive changes:
        - Several of the issues covered by traditional project-based NGOs are targeted by VP and II. However, these rely on and favour different business models and competences. This should bring a new type of competitors to traditional NGOs, fighting for funds and public attention.
        - In addition, as funds from both new and existing sources are directed to these approaches, traditional NGOs might see a decrease of funds available to them.
        - Besides increased competition in the field, NGOs will be pressured to adapt their own business models, rather than just be more professional in the traditional way. Interestingly, the newer and smaller NGOs might be more capable or willing to do this transition since their structures are less rigid.

→ Supporters and initiators should remain alert to these developments, which go beyond the philanthropy space. Supporters might be challenged to rethink their overall strategy and positioning. If the organisation is to adapt accordingly, change should be carefully managed. Supporters might also want to monitor how their traditional grantees are being impacted (e.g. less funding available) and whether additional support measures are useful. As discussed above, initiators will likely be pressured to change their approaches in order to remain visible and maintain the chances of securing enough funding.