

Why Do Funders Work with Intermediaries?

Grantmakers often rely on intermediary organizations when we need help making grants — whether on issues that are new or unfamiliar, in communities where we lack meaningful connections or to fund charitable groups that are challenging for us to support directly. Intermediaries receive funding to regrant and, often, to provide a host of services to nonprofits, communities and the grantmakers themselves. To increase the odds that our funding of intermediary organizations will be consistently productive, grantmakers must craft and sustain the right relationships with the intermediaries with whom we work. We must also draw on recommendations from intermediaries so that they can apply their best efforts on our behalf.

Three Grantmaker-Intermediary Relationship Models

The right relationship, well-structured and tended, is the most important way to enhance intermediary effectiveness and, as a result, ensure our efforts deliver results. GEO's work has identified three models for grantmaker and intermediary relationships. These models are helpful to consider as funders determine needs and preferences and have explicit conversations with prospective intermediary organizations:

1. The **Outsourcing Model** works well for grantmakers who need specific tasks completed by another qualified entity. The grantmaker may have the proficiency and expertise needed to do the work, but simply lack the time or immediately available staff resources. Or the grantmaker may need an intermediary on the ground in a place where it can't otherwise quickly react. In the Outsourcing Model, the grantmaker seeks an intermediary with a compatible grantmaking strategy. Often the emphasis is on speed. In this model, an intermediary organization's technical ability to conduct due diligence and its organizational capacity to deliver the grants are more critical than the intermediary's other expertise and skills. A classic example is post-disaster relief in a part of the country or world not well-known to a grantmaker.

For more information, see [Smarter Relationships, Better Results: Making the Most of Grantmakers' Work with Intermediaries](#) (Washington, D.C.: GEO 2013).

2. The **Autonomous Model** is used by grantmakers who want to tap more dimensions of an intermediary's proficiency, and who want to do so with limited investment of time. In this model, implementation is largely in the hands of the intermediary, who reports at agreed-upon intervals to the funder. Initially, both parties may engage in discussion and decision-making as grants or a grant program are designed, but autonomous relationships work best when the grantmaker is interested in trying out the intermediary's grants strategy, and believes the intermediary has the capacity to find solutions and get money to the solutions that the grantmaker couldn't on its own.
3. In the **Partnership Model**, a grantmaker draws on the knowledge and capacities of the intermediary, with more frequent and intense grantmaker and intermediary engagement over the course of the relationship. Authority and tasks are differentiated, but the partners co-create what is often a longer-term, more complex program or portfolio. As in the Autonomous Model, the intermediary contributes strategic and tactical value, beyond simply carrying out the grantmaker's vision. However, shared development and direction mean that intermediaries exercise less influence in this model.

When to Use Intermediaries and Why

Grantmakers turn to intermediary organizations when they need or want to:

- Disburse money — often, large sums to be distributed as smaller or specialized grants;
- Tap a skill set, knowledge or technical capacity that doesn't exist within the foundation;
- Place development and management of a foundation initiative in external hands;
- Benefit from an independent perspective or place-based expertise;
- Work with other funders in a grantmaking collaborative;
- Acquire credibility by associating with an expert; or
- Try out a strategy used by an intermediary.

Regranting via an intermediary organization can help grantmakers to:

- Mitigate risk or provide cover for potentially controversial grants,
- Demonstrate a segregation of responsibilities between the source of funds and the regranter,
- Ease a foundation's exit from a funding program, and
- Reduce the funder's overhead.

Choosing a Model

Various other factors also influence choices about what model will best fit the situation — including the parties’ roles, the value proposition of the intermediary, scope of work, intended outcomes and the benefits and downsides of each model to the grantmaker. The chart below highlights some relevant elements.

	Outsourcing	Autonomous	Partnership
Roles	<ul style="list-style-type: none"> • Grantmaker directs. • Grantmaker defines strategy. • Intermediary is an extra pair of hands. 	<ul style="list-style-type: none"> • Both sides bring important assets. • Grantmaker and intermediary co-create strategy and working agreement. • Intermediary takes the lead, reporting about its work, what is being learned, and offering feedback at defined intervals. • Grantmaker monitors, provides feedback, intervenes if problems arise and evaluates outcomes. 	<ul style="list-style-type: none"> • Intense engagement continues at a strategic level, and may focus on large-scale initiatives (vs. projects or programs). • Heavy on continuing consultation and collaboration, from design and throughout execution. • Frequently includes other partners. • Once strategy and goals have been set, tactics are typically defined by the intermediary. • Multiyear commitments between grantmaker and intermediary are common. • Partners’ selective use of one another’s brands can add significant strategic muscle.

<p>Intermediary value proposition</p>	<ul style="list-style-type: none"> • Technical skill and organizational capacity (often administrative) of capable intermediaries. 	<ul style="list-style-type: none"> • A point of view and specialized skills, knowledge and reach. • Grantmakers may use multiple intermediary services (e.g., regrating, incubation of new organizations, and policy advocacy). 	<ul style="list-style-type: none"> • Same as Autonomous and intermediary is a collegial, strategic thought partner and co-actor. • Grantmakers may also draw on 501(c)(4) expertise (such as lobbying) and contract for services from for-profit entities (such as legal skills) that some intermediaries can provide.
<p>Scope</p>	<ul style="list-style-type: none"> • Narrower, shorter-term, though may represent significant dollars from grantmaker. 	<ul style="list-style-type: none"> • More expansive. Time span varies. 	<ul style="list-style-type: none"> • Most expansive and longer term.
<p>Possible outcome(s)</p>	<ul style="list-style-type: none"> • Specific, narrowly defined regrating accomplished on behalf of grantmaker. 	<ul style="list-style-type: none"> • Money is moved to heretofore unreached locations or to groups the grantmaker can't effectively identify or vet. • Alternately, may be part of a grantmaker's exit strategy. • A new grantmaking strategy is tested by the grantmaker. • Donor learns from intermediary's experience. • Intermediary has more resources. 	<ul style="list-style-type: none"> • Grantmaker and intermediary seek significant impact from longer-term, deeper work together. Targets may include policy or other systemic change on which both parties can focus resources.

Benefits to grantmaker

- Efficient disbursement of funds.
- Outcome likely to precisely conform to grantmaker's specifications.
- Extends donor skills, knowledge, human capital and reach needed to meet objectives without additional staffing.
- Grantmaker can learn from intermediary (and build staff competency).
- May be cost-effective and efficient.
- A grantmaker that invests intensively with time and money in an intermediary with substantial expertise can generate a breakthrough advance in the grantmaker's strategic interests.
- Intense engagement advances donor learning.

Downsides for the grantmaker

- Danger of tripping over IRS earmarking rules. (A fee-for-service contract could be appropriate, but would increase foundation's administrative costs.)
 - Little learning to be gained.
 - Least satisfying to many intermediaries, because requires little of their added value.
 - Often requires substantial time to develop and manage relationships. Although, this decreases as relationships become more trusting.
 - Ongoing collaboration requires a significant and often steady time commitment by both parties.
 - Substantial investment places a premium on significant accomplishment. Anything less may be viewed as a wasteful failure.
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Making the Most of the Relationship: Advice from Intermediaries

- Create and maintain relationships carefully designed to meet the needs and expectations of the grantmaker and also the intermediary organization.
- Once relationship and strategy are set, focus on the big picture, while exercising fiduciary responsibility.
- Consider foundation's needs and preferences in context with those of partners.
- Dedicate sufficient time and construct frameworks and a schedule for regular, explicit and productive communication for the duration of the relationship.
- To reap the benefits of the intermediary's expertise, listen to and learn from its on-the-ground perspectives.
- Be a steady partner.
- Support the intermediary organization's capacity as an essential step toward building the field you are committed to.

Conclusion

What are the key elements of a highly effective relationship between an intermediary and a grantmaker? It begins with a clear-eyed and explicit assessment by both about what is wanted and needed from this specific relationship and a clearly articulated, shared commitment to jointly agreed-upon results. The right relationship is deliberately designed to support each party's success in attaining its goals. It is sustained by observance of agreements, with mutually acceptable modifications made as needed. The model, whether Outsourcing, Autonomous, Partnership or other, doesn't matter as long as we structure the partnership in a way that mutually benefits both our organization and the intermediary. The key to success in grantmaker and intermediary relationships is no different, in basic principles, from success in relationships with other grantees or co-funders.