

Capacity Building Donor Brief

Capacity-building is an umbrella term for philanthropic support focused on improving the effectiveness and long-term sustainability of a nonprofit or network of nonprofits. Such investments may be less eye-catching and straightforward than funding public-facing projects or services, but capacity-building is vital to a nonprofit's success. This brief offers an overview of giving for capacity-building, including key considerations and best practices.

Why Donors Give for Capacity-Building

- **Nonprofits need to plan for the future.** Most funding for nonprofits comes in the form of grants for specific projects, which forces nonprofits to pay for other costs with whatever discretionary funds remain. The need to pay overhead expenses — from utilities to administrative salaries — can make planning and investing for the future difficult for nonprofits. Giving for capacity-building eases this burden and allows organizations to shore up their work, make needed investments in infrastructure, and take the time to develop long-term plans and projects. Nonprofits that are unable to plan for the future may see their day-to-day work suffer or their capacity to make an impact limited.
- **Capacity-building helps nonprofits become more effective.** Capacity-building includes investments that make an organization better at what they do. This might mean paying consultants to review org charts or finances and find areas of improvement, investing in better facilities and technology, expanding the fundraising staff, or building new programs to complement current work. Capacity-building support might fund training and professional development for nonprofit staff, equipment purchases and anything else that can increase the organization's capacity to do its best work.
- **Individual nonprofits are strongest when they are part of an ecosystem.** Another form of capacity-building support is when donors give to strengthen the ecosystem of nonprofits working on a particular issue or in

a given place. This might mean funding opportunities for organizations to come together in convenings like conferences, strategy sessions or retreats.

Key Considerations

For donors thinking about funding capacity-building and how such funding fits into their larger philanthropy strategy, here are some issues to consider:

- **Support for capacity-building is rare and valuable.** If most of your giving is in the form of general operating support, which is a best practice, then the nonprofits you support have the flexibility to use your funds for capacity-building if they so choose (see below). However, keep in mind that you'll stand out if you provide specific capacity-building grants, since relatively few funders provide such support, which means nonprofits are not as strong and sustainable as they could be. There is a lot of room for more funders to get involved with this work.
- **Capacity-building grants often come from funders who already have a strong relationship with an organization.** It's rare for a funder to give a capacity-building gift as their first gift to an organization. More common is for a funder that has an established partnership with an organization to complement their ongoing giving with dedicated capacity-building support to help an organization to grow or achieve sustainability.
- **Capacity-building investments can be a complement to other forms of giving.** Unrestricted general operating support can be used for capacity-building. But the reality is that when most funding is restricted to particular programs, general operating support tends to go first to immediate expenses like utilities and staffing. Nonprofits are often stretched thin, and it's hard to back up and think about the big picture or dedicate resources to planning for the future when focused on making ends meet — and continuously fundraising — in the present. A funder with a strong relationship with a nonprofit might ask what they would need to scale up or to plan for the

future. Maybe they need expensive new software and time for existing staff to learn how to use it. Maybe they need dedicated funding to take a break from day-to-day work and have a staff retreat. A donor with a relationship of trust with a nonprofit could ask what they need to grow and achieve sustainability, and make a dedicated gift to support that in addition to their ongoing support.

Taking Action

- **Give money for general support, with no strings attached and a long-term commitment if possible.** Most giving on any issue comes in the form of short-term program or project grants, which can limit an organization's flexibility when it comes to paying for necessary overhead or making plans for the future. General operating support empowers the people who are most attuned to an organization's needs — its leadership and staff — to make decisions about how to spend money. General operating support can be used for capacity-building — especially when there is enough of it for organizations to count on spending it beyond immediate needs.
- **Ask what the organization needs.** Even organizations that look like they are flush with cash may struggle with capacity-building if most of their funding is restricted to specific programs. Donors who have built a relationship of trust with an organization can ask what they need to build capacity, whether it is equipment, consultant support, more staff or something else.
- **Think about assets beyond just money.** Donors in a position to do so can also contribute to capacity-building with in-kind donations, or donations of things other than money. This can be especially relevant for corporate funders. Salesforce, for instance, will sometimes donate software to nonprofit groups, while car dealers or manufacturers sometimes donate or heavily discount the cost of vehicles for direct service organizations. Other options for nonmonetary giving include free or discounted office or retreat space, or pro bono consulting from

experts like IT specialists or lawyers. These kinds of donations are best made after discussing an organization's needs with their board and leadership.

- **Tap into intermediaries.** If you want to give capacity-building support to organizations working on an issue you care about, but don't yet have relationships with individual nonprofits, a good option is to give through intermediaries that can make grants to strengthen an entire ecosystem of nonprofits. [Multiplier](#), for example, acts as a fiscal sponsor to organizations just getting off the ground, providing for basic needs like HR and legal support, but also advising groups on how to grow and become sustainable independent organizations. The [Technology Association of Grantmakers](#), as another example, works to increase IT knowledge and investment in the nonprofit world. For any given issue, there are dedicated intermediaries who can help move your funds to increase the capacity and effectiveness of nonprofits working in that area.
- **Give with the bigger picture in mind.** Collaboration and communication among nonprofits can significantly increase their collective impact. Donors can support collaboration and network-building by funding things like conferences, convener groups such as the [Leadership Conference on Civil and Human Rights](#), or umbrella organizations that connect and build capacity among affiliates, like the [Center for Popular Democracy](#).