

## INSIGHTS #1

# Making and Managing Windfall Gifts

## Key takeaways from Global Development organizations that received MacKenzie Scott grants

MacKenzie Scott gave away more than \$12 billion to 1,251 organizations between July 2020 and March 2022. Her trust-based, rapidly deployed model of unrestricted large, multi-year giving has gained major attention in philanthropy and the social sector for its transformative potential. What can we learn from it? What impact does it have on recipients? What are its implications for other philanthropists?

In our Collaborative Learning from Impact Philanthropy initiative, Panorama Global convened a peer learning community of global development organizations that received Scott funding to facilitate their exchange of ideas, experiences, and reflections as they navigate this influx of funding. These 22 organizations operate with headquarters in Africa, Asia, Europe, and the US. The range of their work encompasses agriculture, civic engagement, community-led development, education, health, human rights, legal empowerment, and poverty alleviation.

Below, Panorama shares some takeaways from this cohort. We aim to start the conversation about what the philanthropic sector can learn from Scott grant recipients to improve philanthropy, support effective organizations, and advance systems change.

As recipients of Scott's windfall grants chart new terrain, the philanthropic sector and the social sector can learn from their experiences and choices. Over the next year, Panorama will continue sharing insights from peer learning communities to support funders and current and future recipients of windfall grants, to help us take meaningful action toward achieving greater impact together.

## Seven Takeaways for Funders

### 1. Organizations repeatedly stated how rare unrestricted funds are, and how pivotal for innovation, systems change, and infrastructure.

*"We're using the funds for norm-changing, capacity-building work on the ground, because it's harder to raise money for that."* Funders take note: where organizations spend unrestricted funds shows the field's persistent funding gaps. Another recipient put it this way: *"When donors 'cede' control, organizations can 'seed' catalytic and strategic investments."* Recipient organizations welcomed the new freedom to "say 'no' to bad grants" – those that are too narrow, do not cover actual staff and operations costs, have excessive reporting requirements, or are not aligned with their priorities.

### 2. The grant enabled organizations in the Global South to build muscle and prove their capacity and expertise.

As one recipient said, *"Lack of trust has defined funding to organizations in Africa, assuming we don't have the capacity or systems to handle large or unrestricted grants. The Scott grants prove we have the capacity."* The recipients are building their infrastructure and honing the message that they are the experts, so they can stop subletting their work as implementers for large international non-governmental organizations.

### 3. The Scott grant triggered some instances of donor flight, and other instances of attracting new support.

Some donors erroneously assumed the Scott grant recipients no longer need their funds; others saw the recipients as having outgrown their criteria. The recipient organizations emphasized that the Scott grant cannot replace funds from other donors, and their sustainability depends on a diverse donor base. Others elaborated strategies to keep the spotlight on their effectiveness and the continued need. The imprimatur of the grant helped attract new offers of support, such as a government's donation of land for a school site.

## 4. Organization boards and leaders need time to align on the best use of the grant.

Not knowing if they would ever get this kind of unrestricted funding again, some boards wanted to create a rainy day fund. Their executive teams struggled to persuade them that some risks are worth taking. On the other hand, one recipient's board wanted to use the funds entirely for grants to partners, at odds with its leadership team. Another board lost some motivation for fundraising after receiving the grant, leaving the leadership team worried about sustainability. Recipients say they need time – up to a year, for some – to map the needs for investment in their organization, staff, and programs for maximum impact, and then align plans with board, staff, and constituent priorities.

## 5. Public announcements of the Scott gift led to a massive increase in cyber threats, but spam filters blocked some good news.

One recipient organization boosted digital security prior to the announcement and was able to fend off thousands of hacking attempts. At the same time, others noted that their spam filters diverted the news of the grant from reaching them or flagged it as suspicious.

## 6. Change management strategies are essential for recipient organizations.

Not only an influx of funds but also an influx of people can create culture shock in an organization. Some recipient organizations saw their organizational culture shift as they scaled. Some long-time staff felt displaced and feared the original mission-driven ethos was lost on new staff, and rapid growth led to burnout. Documenting organizational values and culture prior to personnel growth helped with integrating new leadership and staff.

## 7. Don't assume scaling up should be the main goal of every large gift—or that scaling up always means 'bigger.'

To move dollars - and decision-making - closer to their target communities, some recipients reimagined staff, leadership, and governance structures to decentralize and localize control. As one recipient said, “We should be building local organizations. They will be there longer than us and have more credibility.” Others looked to scale their impact on the movement ecosystem – creating models to be replicated, building government partnerships, or strengthening community agency and mobilization. And while most strategic donors want scale, few offer space to experiment and learn. Some recipients used the funds to scale risk-taking and investment for learning and deep impact.

### About Insights

Insights is a series capturing knowledge and reflections from Panorama Global's Collaborative Learning from Impact Philanthropy initiative. The initiative encompasses research, peer learning, and knowledge sharing, with a goal of informing and educating both the nonprofit and philanthropic sectors about best practices in making and managing large gifts.

More information on the range and scope of Scott's publicly-announced grants can be found in an infographic published earlier this year. <https://www.panoramaglobal.org/publications>.

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Our goal is to achieve maximum impact by partnering with visionary leaders to co-develop solutions to hard problems. We use our voice when it counts, and initiate projects when we see gaps that need to be filled.

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