



Gaps in Infrastructure

Identifying the essentials for a stronger social sector

Take away any piece of our nation's basic operational infrastructure—its roads, bridges or power grids—and our modern society would quickly become paralyzed. Because a strong, functioning infrastructure is one that fades into the background, it is easy to take for granted all that is required to maintain the framework.

Just as we rely on these everyday structures, a functioning social sector needs a certain fundamental organization to thrive. This basic infrastructure ensures that nonprofit organizations can focus on achieving their greater missions—educating communities, serving vulnerable populations, promoting vibrant cultural landscapes and more.

This report was designed to share findings of interviews conducted in conjunction with a strategic planning effort for the Fidelity Charitable Trustees' Initiative. It identifies how social sector infrastructure is funded and maintained, and what is needed to ensure a strong foundation for philanthropic organizations to continue their great work.



What is infrastructure?

There is still no clear and widely shared definition of infrastructure for the social sector, but terms commonly used to describe it are “plumbing,” “bridges” and “hubs” that connect individual nonprofits working at the national, regional, state and/or local levels or in subsectors such as arts, education and health. Several infrastructure leaders referred to the definition of infrastructure that was outlined in the 2016 [“Letter from Infrastructure Organizations to Funders.”](#)

Infrastructure differs from capacity building in that it comprises the organizations that provide services, information, training, advocacy and connections to large

numbers of these nonprofits and is aimed at benefitting the entire sector or subsectors. Capacity building refers to helping individual nonprofits or their networks strengthen their organizations.

There is disagreement about what to call the sector for which infrastructure functions. Some call it the “philanthropic sector,” which includes nonprofits; others call it the “nonprofit sector,” which includes philanthropic organizations. Both, however, are seen as part of a larger ecosystem—what some infrastructure organizations are now calling the “social sector” to mitigate confusion.

How much is invested in social sector infrastructure—and who gets funded?

Respondents unanimously underscored that social sector infrastructure has been—and continues to be—severely undercapitalized. Large, mostly national, infrastructure organizations are widely seen as the primary beneficiaries of the funding that exists.

Leaders agree that infrastructure is still difficult to measure and not only because it’s difficult to define. Totals can be skewed by including the dues some funders pay to membership-based infrastructure organizations, which they categorize as infrastructure investments, but respondents see that as “a false equivalency.” Moreover, while the social sector infrastructure once largely comprised membership organizations, it has since expanded to include organizations that depend on other revenue sources to provide services to all nonprofits—not just members.

A point of debate is to whether there are “two infrastructures”—one that supports philanthropic organizations (primarily foundations) and the other, nonprofits. Some felt that philanthropic infrastructure organizations received a disproportionate amount of funding, but others felt this was a false distinction that dilutes efforts to attract more investment in social sector infrastructure overall.

Some broke down philanthropic infrastructure even more by distinguishing between organizations that support institutional donors (e.g., foundations) and those that serve individual donors. There was general agreement that while the former has “substantial support,” there is less attention paid to meeting individual donors’ needs in making informed and thoughtful decisions about their philanthropy.



What Does the Research Say?

Quantitative data from a [recent study](#) by the Foundation Center substantiates the perception among those interviewed for this project that the social sector infrastructure is undercapitalized. U.S. foundation support for infrastructure accounted for less than one percent (0.71 percent) of total giving by U.S. foundations from 2004 to 2015. While overall giving by U.S. foundations grew 66 percent during these years, infrastructure-related giving grew just 25 percent.

Moreover, as interviewees said, there continues to be a relatively small group of funders committed to supporting infrastructure. While a total of 881 foundations provided at least \$10,000 in support for infrastructure organizations between 2004 and 2015, the top 20 foundations of that set accounted for 54 percent of all funding received by infrastructure organizations. Three foundations – the Ford Foundation, the W.K. Kellogg Foundation, and the Bill & Melinda Gates Foundation – accounted for 24 percent of all infrastructure funding during the 12-year period.

As the study didn't examine the size of the recipient organizations relative to one another, the perception that mostly large, national nonprofits receive the bulk of infrastructure funds could not be verified. The view that infrastructure funding seems to be increasingly skewed toward philanthropy-supporting organizations depends on how the data is interpreted. In terms of total dollar amounts, nonprofit-focused organizations (those that provide services specifically in support of the work of nonprofit organizations or the nonprofit sector in general as opposed to philanthropy-focused, or multi-sector organizations) received the most infrastructure funding from 2004-2015 (\$845 million or 44 percent). However, proportionately, when comparing the number of organizations per category with the total dollar amount, philanthropy-focused organizations received 45 percent more funding on average per organization than nonprofit-focused organizations.



What kind of infrastructure support is most needed?

General operating and multi-year support; funding to help intermediaries address “areas of opportunity” and crisis quickly; and “patient capital.”

Policy advocacy, especially at the state and local levels, especially: 1) tools and templates that local, state and regional networks/organizations can use to respond to timely policy issues; and 2) technical assistance tailored to specific states or regions. Policy issues mentioned most frequently were: charitable giving; nonprofit advocacy/political engagement; the effects of tax reform on nonprofits; and regulatory issues, especially tax exemption and IRS oversight.

Intermediaries providing capacity-building services in five specific areas: governance; technology; financial management, planning, and literacy; equity/diversity training; and professional development (especially for young/mid-level staff). Some respondents felt there was a need for deeper exploration into new business models for infrastructure organizations that would help them be more sustainable.

More useful information about nonprofit organizations, issues and the fields in which they work for individual donors (at all giving levels) to make informed decisions about their philanthropic support. Resources for this part of the philanthropic infrastructure are perceived to be substantially less than the foundation-supporting component.

Rigorously collected and synthesized data. Frequently mentioned data needs were: the sector’s economic contributions; its role in democracy/civic engagement; and regulations and policies affecting it, especially tax reform, fundraising/revenue generation and financing strategies, governance and equity/diversity practices and policies, general field-wide trends, charitable giving and best practices. There was also a desire to see research agendas developed in partnership with practitioners, as well as pooled funding for high-quality research about philanthropy and nonprofits.

...and analysis that makes “sense of all of it.” Some respondents felt there is an underappreciation of traditional academic research, which is essential to interpreting the data, as well as determining its validity. They believe academic institutions or independent think tanks providing this analysis—especially in ways that “nonprofits will find helpful”—are “critical” to a strong infrastructure.

More timely, substantive and cost-efficient information and knowledge sharing. While some respondents saw an increase in information sharing occurring across the infrastructure, others felt it could be “much better,” especially in reaching diverse audiences more efficiently. This will require investments in upgrading and updating the technology systems for marketing and distribution, security improvements, language translations, licensing, information curation, etc.

Evaluation, especially rigorous and independent assessments, that go beyond outputs. Many respondents underscored that nonprofits’ work—and, especially, a construct as nuanced as “infrastructure” or field building—will never be able to be distilled into “an Excel spreadsheet,” nor will it align with the metrics used by the private sector. Nonprofit leaders felt that funders need a better understanding of this, i.e., “the nuances and challenges of measuring what nonprofits do, as well as their impact.” They also noted that evaluation is sometimes focused more on the outcomes the funder wants to see, rather than those that “will help nonprofits do their work better.” There was frustration that “funders want this kind of evaluation but won’t provide the funds to do it well.” Several respondents suggested the need for more and better communication and agreement among funders and grantees about outcomes before grants are made.

Conclusion

Though investments in infrastructure may not always be flashy or glamorous, they are critical to ensure that nonprofits have a strong foundation for their work. Our conversations with nonprofit leaders revealed the many gaps to be filled to maintain a strong and sustainable social sector. But these gaps present many opportunities for donors to make a broad impact—helping advance the sector’s development and, in turn, the many nonprofits that benefit from their work.

Methodology

This research and report were completed as a part of a strategy review conducted by Cynthia Gibson of Cynthesis Consulting. The report is based on qualitative interviews with 25 leaders in the social sector conducted in 2018.

Interviewees

Nonprofit Leaders

Kate Barr

President & CEO, PropelNonprofits

Jeanne Bell

Former Executive Director,
CompassPoint Nonprofit Services

Henry Berman

CEO, Exponent Philanthropy

Phil Buchanan

President & CEO,
Center for Effective Philanthropy

Dan Cardinali

President & CEO, Independent Sector

Tim Delaney

President & CEO, National Council of Nonprofits

Jacob Herold

President & CEO, Guidestar

Monisha Kapila

Founder and CEO, ProInspire

Paul Light

New York University and Brookings Institution

Cynthia Massarsky

former Vice President,
Growth Philanthropy Network

Ruth McCambridge

Editor, Nonprofit Quarterly

Jon Pratt

President & CEO, MN Council of Nonprofits

Patrick Rooney

Assoc. Dean for Academic Affairs & Research,
Lilly Family School of Philanthropy

Amy Sample Ward

CEO, NTEN

Brad Smith

President, Foundation Center

Jamie Smith

Executive Director,
Young Nonprofit Professionals Network

Cynthia Strauss

formerly with Fidelity Charitable

Thomas J. Tierney

Chairman and Co-founder, Bridgespan

Anne Wallestad

President & CEO, BoardSource

Prentice Zinn

Director, GMA Foundations

Foundation Leaders

Chris Cardona

Ford Foundation

Nick Deychakiwsky

Charles Stewart Mott Foundation

Lindsay Louie

Hewlett Foundation

Clara Miller

Former President, F.B. Heron Foundation

Caroline Altman Smith

Kresge Foundation

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