

FUNDING RURAL FUTURES:

Four Principles for Equitable, Flexible Grantmaking

A CALL TO ACTION

The need for flexible funding

Securing adequate and appropriate funding is a perennial challenge for nonprofit organizations of all types, but for organizations working in rural communities and Native nations affected by [persistent poverty](#), these challenges are magnified. Foundation giving is disproportionately low in [rural communities](#) and [Native nations](#), federal and philanthropic grants and loans come with onerous restrictions, and disinvested communities lack the resources and capacity required to compete for funds.

Given these challenges, the [Partners for Rural Transformation](#) (PRT), a coalition of organizations working in rural persistent poverty areas, asked the [Aspen Institute Community Strategies Group](#) (Aspen CSG) to conduct an Action-Learning Exchange (ALE) to better understand what it will take

to make more flexible and responsive funding available to organizations serving low-income and persistent poverty rural regions.

ALE participants recommended that funders adopt a [trust-based](#) approach centered on flexible, long-term funding, including [multi-year general operating support](#). Participants also recommended that funders invest in strengthening systems, organizations, and people working on the ground, as well as planning, relationship development, and partnership building. For federal and other public funders, participants recommended streamlining systems to reduce the burden on grantees, moving toward more equitable funding models like targeted block grants, and aligning funding systems with community priorities and outcomes.

THE PROCESS

At the request of PRT, Aspen CSG convened 40 rural economic and community development practitioners from rural and Native nation communities across the United States to inform this Call to Action. Click [here](#) for the list of participants.





FOUR PRINCIPLES FOR EQUITABLE, FLEXIBLE GRANTMAKING

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PRINCIPLE 1: Equitable funding systems are consistent, transparent, accessible, and respectful.

Planning, applying for, administering, and reporting on grant-funded projects takes a significant amount of expertise, experience, time, and other resources. To address this issue, grantmakers can redesign funding systems to make them more equitable and respectful of grantees' time and resources. Grantmakers can reduce the amount of specialized knowledge required to access their funding; communicate processes clearly and transparently; move away from competitive, project-based grants to other funding models like general operating support and block grants; and reassess grant management and reporting systems to make them more equitable and less burdensome.

Recommendations

For All	
<ul style="list-style-type: none"> • Streamline grant application, administration, and reporting processes to reduce burden on grantees. • Create data systems that are accessible and usable for grantees without technical backgrounds; advance rural and Indigenous data sovereignty. • Make technical assistance programs accessible and easy to navigate. 	<ul style="list-style-type: none"> • Make applications and technical assistance available in multiple languages. • Be aware that funding caps and minimums can exclude organizations of different sizes and scales. • Use both qualitative and quantitative data for evaluation.
For Government	
<ul style="list-style-type: none"> • As much as possible, make funding processes consistent across agencies and grants: <ul style="list-style-type: none"> ◦ Grant solicitation structures and formats (e.g., Notices of Funding Opportunity (NOFOs), Requests for Proposals (RFPs)) ◦ Application timelines and processes. ◦ Reporting systems. 	<ul style="list-style-type: none"> • Ensure application windows are long enough for organizations to plan and put together strong proposals. • Reduce or eliminate the need for matching funds from communities with few resources. • Create matching pools at the state level to help rural organizations access federal funds. • Explore more equitable, flexible funding mechanisms (e.g., targeted block grants).
For Philanthropy	
<ul style="list-style-type: none"> • Create systems to make sure funding is proportionate for populations often left out of philanthropic giving, like rural communities and Native nations. • Take into account applicants' track records when making funding decisions and designing accountability systems. 	<ul style="list-style-type: none"> • Create pooled funds and organize systems to be ready to provide match for federal grants. • Prioritize general operating support and unrestricted giving.



2

PRINCIPLE 2: Investing in systems, organizations, and people enables effective work.

Project-based funding tends to deplete rather than strengthen systems, organizations, and people. Piecing together an organizational budget from competitive project-based funding diverts energy and focus from accomplishing mission-based work, and the piecemeal nature of the system can make long-term planning all but impossible. [Trust-based philanthropy](#) and general operating grants are an important corrective to the harms of the project-based funding system, but not all funders, especially public funders, are in a position to make general operating grants. Investing directly in the capacity and health of the systems, organizations, and people who do grant-funded work is an important way for grantmakers to advance their missions.

Recommendations

For All	
<ul style="list-style-type: none"> • Prioritize strengthening systems, organizations, and people who work on the ground in rural communities and Native nations. • Examine funding and programmatic structures to identify and redesign feedback loops that deplete systems, organizations, and people. 	<ul style="list-style-type: none"> • Assess and quantify the administrative burden of structures and requests on community-based organizations; find ways to redesign systems to reduce these burdens. • Always compensate community organizations and people when you ask for their time and expertise.
For Government	
<ul style="list-style-type: none"> • Provide robust coverage of indirect costs: <ul style="list-style-type: none"> ◦ Encourage rural grantees to establish Negotiated Indirect Cost Rate Agreements (NICRAs). ◦ Accept established NICRAs. ◦ Ensure de minimis rates (which provide indirect cost funding for organizations without established NICRAs) are adequate. 	<ul style="list-style-type: none"> • Integrate capacity-building into funding opportunities following the example of the US EDA with the Distressed Area Recompete Pilot Program..
For Philanthropy	
<ul style="list-style-type: none"> • Adopt trust-based philanthropy approaches. • Make general operating grants rather than project-based grants whenever possible. 	<ul style="list-style-type: none"> • Invest in long-term technical assistance infrastructure to help communities access federal funding.



3

PRINCIPLE 3: Strong relationships and partnerships enable strong work.

Given project-based funding constraints, organizations often have little time for intentional partnership and relationship building and, therefore must do this essential work “around the edges” of their funded work. This lack of intentional partnership and relationship development can result in uneven and fragmented systems and inefficient work. Relying on existing relationships can also reinforce [inequities based on place, race, and class](#) that could be interrupted by intentional development of equitable partnerships. Investing directly in these relationships and partnerships is an important way for funders to ensure that their work is effective, efficient, and equitable.

Recommendations

For All	
<ul style="list-style-type: none"> • Listen to communities and understand their perspectives before designing funding programs or making grants. Co-create opportunities with communities whenever possible. • Prioritize strengthening relationships: <ul style="list-style-type: none"> ◦ Within communities to build strong coalitions and prepare for major opportunities. ◦ Across communities and regions to strengthen networks and learning. ◦ Between communities and funders to establish partnerships and understanding. ◦ Among funders to share learning and align toward common goals. 	<ul style="list-style-type: none"> • Create and support Rural Development Hubs to: <ul style="list-style-type: none"> ◦ Foster strong relationships and partnerships. ◦ Serve as intermediaries and funding partners to smaller organizations with less capacity • Work in a manner that is grounded in place: <ul style="list-style-type: none"> ◦ Hire place-based and place-aware staff. ◦ Structure operations around geography whenever appropriate. ◦ Design funding opportunities based in places.
For Government	
Incentivize and support coalition building and cross-sector collaboration.	<ul style="list-style-type: none"> • Hire staff who know rural places and Native nations well, and make sure those staff members get out from behind their desks and spend time in communities.
For Philanthropy	
<ul style="list-style-type: none"> • Create opportunities for smaller rural and Indigenous organizations to share their voices and perspectives with national organizations and agencies. • Be aware of power dynamics in funder-grantee relationships and demonstrate what it means to share power. 	<ul style="list-style-type: none"> • Make sure your board and staff include practitioners and people grounded in rural places. • Support, fund, and prioritize collaboration amongst philanthropic organizations within a region to align resources and funding priorities.



4

PRINCIPLE 4: Effective funding flows toward outcomes.

Public and private funders, nonprofit organizations, and community leaders all need to work together toward positive change in community outcomes—improved health, equitable prosperity, and quality of life for all. But the fragmented project-based funding system can make it difficult to stay focused on these North Star goals. To address this issue, when general operating grants are not a possibility, funders can consider structures that focus funding on outcomes more than outputs, designing funding structures to achieve long-term impact.

Recommendations

For All	
<ul style="list-style-type: none"> • Partner with communities to establish shared goals and understand where funding is needed to achieve these goals. • Provide funding that lasts long enough to make an impact. • Find ways to integrate flexibility into funding structures so grantees can be responsive to changing conditions. • Prioritize outcomes rather than outputs in funding structures. • Support innovation and risk-taking when it is needed—and provide adequate funding for research, development, and learning when funding new approaches. 	<ul style="list-style-type: none"> • Support established programs when they are clearly working—don’t prioritize innovation over effectiveness. • Understand the time scales needed to truly understand the impact of a project—don’t try to evaluate too early. • Understand rural scale—think in terms of percentages of the population affected, rather than raw numbers of people, which will always privilege denser places.
For Government	
<ul style="list-style-type: none"> • Fund the whole project lifecycle, from research and development and predevelopment/ planning through implementation to learning. 	
For Philanthropy	
<ul style="list-style-type: none"> • Be careful about changing course too quickly—commit long enough to see investments bear fruit. 	

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The views expressed here do not necessarily reflect the views of the Foundation.*

Since 1985, the Aspen Institute Community Strategies Group has been committed to equitable rural prosperity. We work towards a future where communities and Native nations across the rural United States are healthy places where each and every person belongs, lives with dignity, and thrives.

Aspen CSG serves as a connecting hub for equitable rural community and economic development. We design and facilitate action-inducing peer learning among rural practitioners, national and regional organizations, and policymakers. We build networks, foster collaboration, and advance best practices from the field. The foundation of our work is the Thrive Rural Framework – a tool to take stock, target action, and gauge progress on equitable rural prosperity.

*Aspen CSG's consultant Rebecca Huenink led the writing process for this report.
We are grateful for her contributions.*

For more on Aspen CSG,
see: www.AspenCSG.org

For more on the Thrive Rural Framework,
see: www.ThriveRural.org