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# Budgeting for systems change: insights for funders



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## **How should we support partners to budget for systems change? And how do we put a number to a complex and continually shifting process?**

'Systems change' is a key topic right now for those working to address long-standing, entrenched problems. Systems change is about moving beyond superficial 'band-aid' solutions and conducting a deep dive into policies, practices, resource flows, relationships and connections, power dynamics and mental models that shape and sustain broken systems.

This can be complex work, so it's not surprising when practical challenges arise. This includes budgeting. Mastercard Foundation's EleV Program in Canada has been on the journey of implementing a systems change approach since 2017 and many learnings have emerged.

The goal of the EleV Program is to transform education and employment systems to support 100,000 Indigenous young people in their journeys through education and onto Mino Bimaadziwin ("a good life", a meaningful livelihood). This ambition necessitates moving beyond individual-level programs, to investments which embrace complexity to tackle root causes and drive transformation at institutional and ecosystem levels.

Questions must be asked in a different way. Instead of asking how to support Indigenous students to better succeed at mainstream institutions, we ask how to transform mainstream institutions to better serve Indigenous students. Instead of creating a new program for a specific problem, we ask how to support those already working on the problem to better unite efforts towards common goals. If a new program is necessary, we ask how to ensure it centers the needs of Indigenous youth and communities, and is grounded in a commitment to learning and demonstrating more impactful approaches.

Systemic issues require systemic change, but immediate needs cannot be forgotten. It is difficult to balance investments in immediate needs with longer-term systems change, but it's necessary.

In philanthropy, systems change is discussed at the theoretical level, however, there remains a lack of information and resources focused on the practical side of supporting this work. The Foundation has grappled with two key planning questions. How should we support partners to budget for systems change? And, how do we put a number to a complex and continually shifting process? The Foundation is still on its learning journey but below are some insights that have emerged.

## Budget for time and relationships

Shifting systems requires significant time and relationships. As a result, budgets may be staff-heavy, versus focused on direct activity funding. Ecosystem mapping, stakeholder engagement, and institutional development are key components of systems change. These processes require time and people. A typical pitfall in systems change projects is having staff work 'off the side of their desks', rather than having dedicated capacity.

Adequately resourcing systems change work does not mean creating roles to fill gaps created by systemic barriers. Complex issues can rarely be fixed by simply 'adding bodies'. More often it requires tackling integration and coordination issues. Resolving these barriers builds an ecosystem's overall capacity. It is this latter 'connective tissue' work which requires robust resourcing.

Resources for learning and evaluation are also essential for systems change. Surfacing insights about how the system operates, and adjusting approaches, accordingly, are part of the process. This learning, reflection, and adaptive management cycle involves robust evidence gathering and stakeholder convening – all of which require resources. Funds must be included for consultation of key stakeholders most relevant to the system which you seek to change. In the EleV Program, the values, views and aspirations of Elders and Indigenous youth are at the heart of the work. True transformation is community-led. This means that every

stage (design, implementation, learning and governance) is informed by Elders and Indigenous youth.

## Flexibility for emergent learning and evolving priorities

EleV partnerships start with a commitment to systems change. However, identifying the levers that will make that change takes time, learning and extensive community engagement. This process illuminates barriers or roadblocks in the ecosystem and identifies priorities to shape the work. As a funder, it is important to show up abundantly and with trust. Funders need to commit to partners and their overarching goals for multiple years and recognize it's not always possible to create detailed budgets for this time frame upfront. Instead, use flexible budget buckets or 'future funds'.

Future funds are budget allotments earmarked to high-level outcomes, e.g. 'increasing Indigenous youth access to post-secondary education.' How the funds will be used becomes more defined once specific activities needed to achieve the outcomes are determined – one year at a time. It provides opportunities to pilot activities and learn from them. It creates space for partners to assess whether they are achieving outcomes, and if not, why not. From there, they can shift to progress towards their goals in an adaptive way. For funders, building transparent, non-punitive, and trust-based relationships is critical to real learning and impact. When this is paired with budget flexibility, recognizing the complexity of systems change work, systems change is possible.

## Budgets must start with outcomes, not activities

Project proposals should start with a transformative goal and system change level objectives. From there, with proper ecosystem mapping and community and stakeholder engagement, activities that are likely to advance objectives will emerge. Only then can a budget be drafted, incorporating flexibility through future funds.

When envisioning the budget, it is helpful to ask: how do we engage with and what changes are needed at the ecosystem and institutional levels? What program components are likely to bring us towards our goal and/or help us understand the levers to move towards change? It is also important to consider sustainability– for projects with high staff costs, how will their work lead to transformation that will be self-sustaining or taken on by others?

## Shifting funder paradigms

The flexibility this budgeting approach requires may necessitate internal reframing by funding organizations. For example, a traditional approach to understanding risk might suggest that all program activities must be fully planned before a commitment is made. Systems change work reframes the risk as not being responsive to learnings and emerging priorities. Risk is heightened when activities are planned in a vacuum- when projects are not given room to adapt to contextual realities or respond to new information.

Similarly, reframing approval processes is necessary. This includes rethinking the standard requirement to define every line item in a budget before approval. Ensuring alignment on identifiable items, core values and objectives means details fall into place over the course of the partnership. The Foundation works with partners on annual work planning and budgeting and connects on regular calls to work together on ensuring long-term outcomes are at the centre, while supporting activities emerge and evolve in an agile and responsive way.

Budgeting for systems change is not an exact science. Much of the journey is about ongoing learning. The four principles outlined in this piece have been important guideposts for the Foundation: invest in time and relationships, allow specifics to emerge after extensive community engagement and learning, lead with outcomes rather than activities, and reframe perspective on risk and compliance.

Funders need to embrace the learning journey alongside partners and the philanthropic sector, as we all work towards more sustainable and transformative impact through systems change.

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