

OPEN ROAD EMERGENCY FUNDING

A Quick Start Guide



Keeping Impact on Track

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LESSONS FROM THE EMERGENCY ROOM OF IMPACT

The COVID-19 pandemic has put unprecedented strain on the social sector's impact models, partnerships, and financial resiliency. The need for "emergency funding" has now reached historic proportions and shows no signs of slowing down. Ninety-seven percent of the global and local charitable organizations recently surveyed by Charities Aid Foundation of America (CAF America) reported being negatively impacted by COVID-19, with two-thirds seeing declines in both donors and donations.

Since early March, in response to this new reality, numerous foundations and donors have set up their own emergency grant programs, protocols, criteria, and budgets—in many cases, for the very first time. Yet as many are now discovering, emergency funding is not the same as traditional funding; just as emergency medicine requires a different approach than primary care, emergency funding also requires a different approach than traditional grantmaking.

This "quick start" guide draws on Open Road Alliance's deep experience as a funder exclusively focused on emergency funding.

As the "everyday emergency room" for impact, Open Road provides fast, flexible funding to nonprofits and social entrepreneurs facing unexpected roadblocks and obstacles, enabling them to keep their impact on track.

Just as emergency medicine requires a different approach than primary care, emergency funding also requires a different approach than traditional grantmaking.

With over eight years of experience doing this work, Open Road has tested and refined its process and criteria while helping nearly 300 organizations navigate through a range of sudden, external threats. While every funder's situation will be different, there are lessons from this work can benefit all. Below are some basic steps that foundations and donors can take in the short and long term to effectively respond to the current situation while also building resiliency for future crises.



3 KEY PRACTICES

As the COVID-19 pandemic has shown, when a crisis arrives, the call to respond is immediate. In short, timing matters. Foundations and donors who find themselves in this moment of response, should keep three key practices in mind.

1

Triaging Applications & Prioritizing Speed

Emergencies don't wait for grant cycles or board meetings. One of the most important aspects of mounting an effective emergency grantmaking response is to adopt application and decision-making practices that can respond on a rolling basis.

2

Defining Your Emergency Funding Criteria

Deciding 'who to save,' is a fundamentally different proposition than deciding who to support. To be effective, emergency funders must ask difficult questions – of themselves and their grantees.

3

Analyzing Financials in Emergencies

At its core, emergency funding is about making a short-term intervention. Like in a medical emergency room, the financial due diligence should be focused on the immediate challenge more than the long-term health of the patient.



TRIAGE & TIMING

Develop a system to triage requests on a rolling basis.

Application Timeline

Triage requests by creating an expedited timeline for making emergency funding decisions and disbursing emergency support.

Decision-Making

Streamline decision-making processes and authority structures to make your process as efficient as possible. This may mean creating a smaller board committee with authority to approve grants, or giving similar authority to senior staff.

Keep Moving

As you respond to emergencies within your portfolio, work to keep existing prospects moving through the pipeline (e.g., continue due diligence processes), even if you pause intake of new organizations.

Open Road aims for an average three-week timeline between initial inquiry and final decision.

- Two aspects of our process make this possible:
- Rapid vetting through initial phone calls designed to identify and prioritize applicants that fit our criteria before asking them to submit a full application.
 - Holding investment committee calls on a rolling basis, up to six times per week.



EMERGENCY CRITERIA

Build funding criteria based on what impact you're willing to lose, not just what you want to save.

Risk Tolerance

In emergency support, the opportunity cost of "saving" a grantee is a different risk calculation than deciding what projects are worth piloting, growing, or maintaining in "normal" times. Have a frank conversation about your risk tolerance and lean into the uncomfortable tradeoffs that are inevitable (e.g., supporting grantees vs. protecting your endowment; or 'saving' one grantee instead of another).

Impact Lost & Gained

In your emergency grantmaking criteria, clearly identify what type of impact you are willing and able to lose, and under what circumstances you will act.

For example, a funder who is focused on domestic violence may choose to grant emergency support to shelters, hotlines, and other direct services to respond to the increased danger that the pandemic has created for many. But, the same funder may not approve an emergency request from an organization that is lobbying for stricter domestic violence laws. Conversely, a different funder might double down on an advocacy organization fighting for better labor protections for low-wage workers; but decide not to support a request from their local food bank.

Defining emergency funding criteria is directly related to the funder's overall values and impact goals. In the face of limited resources, choices will have to be made. Putting this on paper—what is worth saving AND what is not—will help expedite decision-making while ensuring consistency and thus fairness. Communicate your criteria openly and transparently with your grantees.



At the outset of COVID-19, Open Road developed criteria for grants that focused on interventions that would have an immediate impact in terms of "flattening the curve," at scale.

In defining this criteria, we recognized, acknowledged, and accepted that including "at scale" would screen out many important and worthy initiatives that were smaller or more localized, while also keeping us focused on reaching the maximum number of people possible. As the pandemic evolved, so did our understanding of the risks we were willing to take. Consequently, we adjusted our criteria to focus more on systems-level projects designed to help communities adapt to—rather than just survive through—the new reality. Throughout, we communicated our criteria (and any changes) through public calls and on our website.

FINANCIAL ANALYSIS IN EMERGENCIES

Focus financial analysis on cash flows instead of audited financials.

Future & Projected

Examine the future and projected cash flows of prospective grantees rather than past statements. Cash flows are critical to prioritizing who is most in need, where emergency support can help the most (e.g., who will run out of money first), or when it won't make a difference.

Key Questions

When looking at cash flow and budget scenarios, ask yourself some key questions: Is this revenue (and related impact) lost, or simply deferred? Will your support be delaying an inevitable failure or successfully provide a bridge to somewhere? What else needs to happen to get this organization through (e.g., travel restrictions lifted, supply chains reopened, etc.)? Consider different financial tools to match the grantee's needs —a grant or loan may be more appropriate depending on the situation.

As the pandemic was unfolding, we quickly realized that the typical financial metrics we used before COVID-19 wouldn't necessarily apply.

In addition to recalibrating our risk tolerance, we also recalibrated how we analyzed cash flows. In addition to focusing on whether there was a "bridge to somewhere," we also used cash flow projections to triage which applications to prioritize. If one company had six months of cash on hand, and another only two months, we processed the latter application first. We also began asking about three budget scenarios: base case, worst case, and the case that puts you out of business. These scenarios focus less on financial models and more on the "what-ifs" outside of the organization's control, such as: What if lockdown lasts four months instead of two? Understanding the breaking point(s) for an applicant helped both our decision making and the applicant's own prioritization of resources and effort.



BUILDING A SUSTAINABLE RESPONSE SYSTEM

Setting up pop-up tents for COVID-19 testing and organizing overflow treatment are critical emergency responses in the moment—but they do not equal the infrastructure needed to build resiliency and ensure we are prepared for the next public health emergency. Yet in the realm of emergency funding, many of the short-term emergency structures that foundations and donors have put in the place over the past three months can be adapted into longer-term, sustainable structures.

Make emergency funding protocols permanent.

The risk of unpredictable, exogenous threats disrupting impact is nothing new and will not go away once the pandemic recedes. Now is the time to formalize emergency protocols to support grantees when the next unexpected event happens.

Document your risk tolerance and acceptable tradeoffs.

Once you know what impact you are willing to lose, you can also pinpoint the risks you are willing to take (e.g., if we are willing to lose X then we can afford to risk Y). Using your emergency criteria as a base, repeat the conversation around risk and tradeoffs across your entire portfolio and then document where you stand. An organization-wide risk profile statement can help clarify where these subjective lines fall; it can also help in your “normal” decision-making and save time and angst when the next crisis hits.

Embrace radical candor.

Fear and mistrust are the enemies of impact during a crisis. Funders can afford to take some calculated reputational risk for the sake of transparency and open communication with grantees.

Establish risk robust management procedures.

Our research shows that one in every five projects will face an unexpected roadblock—an “everyday emergency.” That’s why funders should protect their investments by putting in place commonsense processes to help manage risks to impact. These include building risk assessments and scenario planning into the application process, tracking data on risk throughout the project lifecycle, and communicating contingency protocols effectively to grantees.



LEARN MORE



About Open Road

Open Road Alliance was founded in 2012 with an ambitious goal: to help the social sector manage and weather the unexpected risks that threaten to derail their impact. Since then, we have become the market leader in social sector bridge funding, providing over \$45 million in one-time grants and loans to nonprofits and social enterprises experiencing unexpected external roadblocks, helping to keep their impact on track.

From startup solar companies in Tanzania, to human rights organizations in Syria, and nonprofits addressing criminal justice reform in the United States, we work with enterprises across geographies and sectors. All our work is aimed at one objective: to ensure innovative efforts to address the world's greatest challenges can carry on without interruption.

Our Resources

<https://openroadalliance.org/grantmakers/>

Partnership Opportunities

Contact: Aaron Kotler, Director of Partnerships at aaron@openroadalliance.org.



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