

Key Debate: Multiyear General Operating Support vs. Project Support

Do you fund an organization or do you fund an initiative? Does the grantee or the funder decide how grant money should be spent? Is there a relationship of trust between the funder and grantee? Who wants to pay for overhead?

These are a few of the questions at the heart of the debate between multiyear general operating support and project support.

Most nonprofits, and increasingly most philanthropy professionals, agree that multiyear general operating support—that is, unrestricted, long-term funding that a nonprofit can use as it sees fit—is a philanthropic best practice. It gives nonprofits the flexibility and stability to spend money where it’s needed, to respond to unexpected opportunities and challenges, and to plan for the longer term.

By contrast, project funding—that is, a grant that is restricted to a particular project for a limited amount of time—can often create headaches for nonprofits. Why? It requires them to spend the grant only on agreed-upon expenses. And it makes it hard to invest in long-term and multi-faceted work—whether that’s because a staff position is only funded for a one-year grant term or because the nonprofit is piecing together its entire annual budget, year after year, from a bunch of separate project grants, requiring lots of time spent fundraising (which, ahem, no one wants to pay for), detailed reporting to multiple funders, gaps in funding for core operating expenses like administrative salaries or utilities, and limited capacity to take on the kind of years-long, holistic initiatives that are often what’s needed to address society’s toughest problems.

So what’s the argument for project support?

Project support allows a funder to know exactly where their money is going and to track results. Some funders like project grants because they have an aversion to paying for “overhead” costs, or believe that project grants with limited percentages earmarked for overhead encourage more efficient use of funds.



Project support can also enable the funder to take more pride in (or credit for) a successful project. They can more precisely measure the impact of their grant. And they may be the single named funder of an impactful initiative instead of one funder among many giving general support to an organization's myriad activities.

Another reason some funders give project support is to "try out" a new grantee. They commit to a specific project for a specific period of time and see how that goes.

Which is why multiyear general operating support is a hallmark of trust-based philanthropy. It can also help reduce the imbalance of power between funder and grantee, leading to increased transparency and, often, better grantee-funder relationships.

The debate between general operating and project support has been going on for decades. As nonprofits and even foundation staff are ever more vocal in saying that multiyear general-operating support is the best and most effective practice, more and more foundations are making these kinds of grants. But project support continues to predominate.

The Center for Effective Philanthropy reported in 2020 that in the 10 years leading up to the pandemic, only 12.4% of grants were both multiyear and general operating support. After surveying 165 CEOs and 105 program officers from private and community foundations and interviewing two dozen funders, they still couldn't figure out why.

You may also want to check out:

- [What is general operating support?](#)
- [What is program \(or project\) support?](#)
- [What is capacity-building support?](#)
- [What is multiyear funding?](#)

