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Financial Sustainability

A funder’s role from design through transition



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BHP Foundation Learning in Practice Series

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Module 2: Measuring Impact: A Framework

Module 3: Partnering for Lasting Impact

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Module C: Financial Sustainability

Toolkits and templates – including:

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Financial sustainability | Module overview

Work with partners to strengthen financial resilience across the investment lifecycle

Learning objectives

01

Understand

What financial sustainability means, what it is not and why it matters.

02

Explore together

Discuss financial health, strategic fit, future resourcing, risks and opportunities together.

03

Strengthen

Apply practical approaches from design through implementation, adaptation and transition.

By the end of this module, you will be able to:

- Recognise the conditions, risks and opportunities that shape financial sustainability.
- Work with partners to develop a credible pathway for what needs to endure.

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Sustainability | What it means

Sustainability is broader than funding: can valued activities and outcomes continue, adapt or expand beyond the investment period?

Sustainability of activities

Can the organization secure the resources needed to continue priority work?

Sustainability of outcomes

Will the benefits and changes achieved endure or expand over time?

Four interconnected dimensions



Financial

Resources to continue priority activities and support lasting outcomes.

Social

Trust, cultural relevance and stakeholder support for the work.

Political

Policy support, influence and conditions that enable change.

Organisational

Capability, leadership, systems and relationships to deliver and adapt.

What we mean by financial sustainability

Financial sustainability means having a credible and adaptable resourcing pathway for the priority work, capabilities or outcomes that need to endure beyond the investment period.

Sound financial management and organisational capability support the pathway, but do not guarantee sustainability.

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Financial sustainability across the investment lifecycle

Develop, test and adapt the pathway with partners at every stage

Strategy	Explore	Design	Fund	Learn and adapt	Transition
01 What change are we backing, and what role will we play?	**02** What conditions support or constrain the pathway?	**03** What needs to endure, at what cost and with whose support?	**04** What funding, flexibility and capabilities are needed now?	**05** What evidence suggests the pathway should change?	**06** What will continue, transfer, adapt or conclude?

Apply these questions proportionately. The emphasis will depend on the investment's purpose, size, duration, maturity and risk.

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Strategy | Start with the change sought and the funder's role

01 What change are we seeking?

- A defined activity
- A stronger organisation
- A scalable model
- Policy, system or ecosystem change

02 What role will we play?

- Grant funder
- Strategic partner
- Risk-capital provider
- Convener or ecosystem builder

03 What does that imply?

- Timeframe and risk appetite
- Partnership model
- Funding flexibility
- Capability and transition support

Funder behavior matters: what we finance, how long we commit and what we require can strengthen or weaken sustainability.



Discover more on funder strategy, impact and funding design in our wider modules and toolkits: Strategy and Design, Measuring Impact: A Framework Corporate Philanthropy Approaches and Designing Grant Agreements

Explore | Understand strengths, risks and options together

Use proportionate conversations to build shared understanding and identify useful support

Strategic fit	How does the investment advance the organization's strategy and longer-term vision?
Financial resilience	What do income, reserves, liabilities, cash flow and funding concentration indicate?
Adaptive management	How are forecasts, scenarios, budget changes and trade-offs used in decisions?
Leadership & governance	How do leaders and the board oversee financial health, risk and future resourcing?
Future pathway	If the work succeeds, who could finance, own, adopt or adapt it next?

Reduce burden: use existing information and, with permission, relevant assessments from other funders. Explore only what is material.

Design | Define and resource the pathway

Define what needs to endure with the partner, then resource the capabilities and options that can support it.

Define the pathway

WHAT? Which outcomes, capabilities, services or activities need to endure?

WHO? Who is best placed to finance, control, deliver or steward them?

HOW? What combination of funding, revenue, adoption, transfer, adaptation or planned closure is credible?

Resource the pathway

Design funding can develop and test the pathway before a major investment

Implementation funding can put the pathway into practice and adapt it during delivery

Wider funding support options can include:

- Testing assumptions and refining models
- Building partnerships and clarifying future roles
- Strengthening evidence, learning and investment design
- Exploring future funding, adoption or institutionalizaton
- Developing systems and capabilities for responsible scale
- Accessing specialist advice, coaching, expertise or recruitment
- Supporting adaptation or transition

Financial sustainability should not be an unfunded expectation.

Support the partner to build the pathway, not just deliver the activities.

Fund | Funding choices that strengthen resilience

Make funding choices that support a credible pathway, rather than applying a financial management checklist.

01

Fund the full cost

Resource delivery, essential organizational capabilities, learning, adaptation and transition.

02

Match funding to the pathway

Align duration, phasing and payment timing with the investment's maturity, needs and cash-flow requirements.

03

Build in flexibility

Use proportionate reporting and clear processes for agreeing material changes to budgets, scope, delivery or contingency.

04

Plan funding changes

Agree early how changes in funding level or duration will be handled, so partners can prepare.



Discover more on funding design best practices in our Designing Grant Agreements toolkit.

Learn and adapt | Keep the pathway credible

During implementation, use evidence and regular partner discussions to test assumptions and adapt the pathway.

01 Monitor and learn

- Track a few indicators linked to the pathway
- Discuss financial and organisational health
- Consider changes in costs, funding and context

02 Test the pathway

- Are the original assumptions still credible?
- Are future funding, adoption or transition options progressing?
- Are emerging risks or capability needs affecting the pathway?

03 Agree adaptations

- Adjust budget, timeframe or delivery model
- Provide different capability or partnership support
- Revise what will continue, scale, transfer or conclude

Measure what supports learning and decisions. Adapt the pathway together as evidence or circumstances change.

Transition | Responsible transition and exit

How we manage extension, scale-up, tapering and exit can strengthen or weaken long-term outcomes

01 **Start early**
Discuss transition from the beginning and revisit it throughout the partnership.

02 **Avoid surprises**
Provide clarity where possible about future funding intentions and decision points.

03 **Support continuity where appropriate**
Consider introductions, capability transfer, evidence generation or time-limited transition support.

04 **Plan responsible closure**
Where continuation is not necessary or credible, support an orderly and respectful conclusion.

If you remember nothing else

DO

Build the pathway with the partner. Agree what most needs to endure, then revisit and adapt the pathway throughout the investment lifecycle.

DON’T

Treat continuation as the only measure of success or wait until funding is ending to plan the transition.

REMEMBER

Funder choices can strengthen or weaken resilience.



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Quick reference | Embedding financial sustainability

Stage	Financial sustainability focus
Strategy	Align the funder's role, timeframe, risk appetite and partnership approach with the change being sought.
Explore	Build a shared understanding of strategic fit, financial resilience, adaptive capability, material risks and future options.
Design	Agree what needs to endure, who could support it and which funding, partnerships and capabilities are needed.
Fund	Structure funding to cover full costs, support cash flow, enable appropriate flexibility and manage changes responsibly.
Learn and adapt	Track a few useful indicators, test key assumptions and adapt the pathway as circumstances change.
Transition	Provide clarity about funding decisions and manage continuation, transfer, tapering or conclusion responsibly.

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Thank you