



**ANALYSING
DRIVERS AND CONSTRAINTS FOR
SYSTEMS CHANGE
BY SMALL AND MEDIUM NPOS
IN INDIA**

Acknowledgement

This project was made possible with the support of
Oak Foundation & Heifer International.

We also express our gratitude to all our interview participants
for their invaluable contributions.

Table of Contents

02 Introduction & Context Setting

04 Methodology

06 Sample Breakup

08 Analysis and Findings

16 Key Trends

19 Challenges and Opportunities

21 Looking Ahead: Recommendations

23 Conclusion

24 Annexure

Introduction & Context Setting

The notion of systems change has garnered significant attention in various fields such as development, policy, research, academia, and practical applications in recent years¹. This heightened focus is driven by the realisation that societal issues are complex and cannot be resolved by simplistic solutions. The traditional approach of external interventions, which treated societal issues as straightforward input-output models, is no longer adequate. While literature in this area has become increasingly sophisticated, there continues to be an acute gap in the knowledge and application of systems change principles, prompting questions regarding the actual benefit and applicability of these conceptual developments².

Defining Systems Change

New Philanthropy Capital's 2015 handbook defines systems change in this way:

*"Systems change is an intentional process designed to alter the status quo by shifting the function or structure of an identified system with purposeful intervention. Systems change aims to bring about lasting change by altering underlying structures and supporting mechanisms that make the system operate in a particular way. This can include policies, routines, relationships, resources, power structures, and values."*³

Simply put, the systems change approach seeks to address the root cause of an issue as opposed to merely driving surface-level change which only addresses symptoms. Whilst it is possible that the latter can contribute to positive outcomes, the former has the added benefit of addressing existing dynamics and shifting the system to a new state, therefore transforming the context to drive change at scale⁴.

Core to driving systems change is collaboration, rooted in shared goals to achieve lasting improvement to solve social problems at local, national, and global levels⁵. It is crucial that all stakeholders, including funders, individuals, government entities, non-profit organisations (NPOs), community-based organisations (CSOs), and activists, collectively shape solutions that can engineer systems change. Integrating diverse perspectives into practice can actively reduce knowledge gaps and cultivate a self-sustaining ecosystem, wherein all stakeholders⁶ support one another, effectively steering and advancing systems change.

¹ Dreier et al. 2019, *Systems Leadership for Sustainable Development*. Harvard Kennedy School.

² McKee M., 2019, *Bridging the Gap Between Research and Policy and Practice Comment on "CIHR Health System Impact Fellows: Reflections on 'Driving Change' Within the Health System"*. *International journal of health policy and management*, 8(9), 557–559.

³ Abercrombie et al 2015, "Systems Change: A Guide to What It Is and How to Do It." New Philanthropic Capital.

⁴ Ashoka, 2018, *Systems Change: A High Level Summary*. Ashoka Europe Fellowship Program.

⁵ Catalyst 2030, *About Systems Change*.

⁶ *ibid* 3

Introduction & Context Setting

Effective collaboration requires a recognition of unique stakeholder needs. A focus on stakeholder needs can contribute to better collaboration, increased efficiency, and higher chances of successful execution of systems change programmes and strategies. Resource allocation is also optimised, where resources are more likely to be directed to areas that present the greatest potential for positive outcomes. Additionally, proactive risk mitigation strategies can be implemented, reducing potential obstacles and increasing the likelihood of success. Addressing stakeholder needs directly contributes to their satisfaction, nurturing positive relationships and instilling a sense of ownership and commitment to the systems change process.

The Unique role of NPOs in contributing to Systems Change

Small and medium NPOs, in particular, have the potential to play an important role in informing systems change approaches but are largely left out of current discourse and practice. These organisations, due to their unique characteristics and local-level⁷ presence, often hold deep understanding of the specific needs faced by their communities. They are well-placed to tailor their programmes to address these needs effectively, leading to impactful solutions. Furthermore, grassroots NPOs are deeply connected to the communities they serve⁸. This connection allows them to mobilise and engage community members in collective action, creating a sense of ownership and empowerment. Their localised approach also helps build trust and credibility among community members, which are essential for driving meaningful change⁹. Additionally, small and medium grassroots NPOs often have the flexibility and agility to respond quickly to emerging issues and adapt their strategies as needed. This adaptability enables them to be at the forefront of tackling emerging social, economic, and environmental challenges.

However, despite the critical role NPOs can and must play in creating systems change, they often face significant challenges that limit their effectiveness. These organisations often struggle with limited capacity-building opportunities, inadequate access to funding, and regulatory challenges. NPOs in the human service sector in particular face heightened challenges due to the changing landscape of funding sources. Government subsidies, which have traditionally been a major source of funding for NPOs, are becoming less reliable. This has left NPOs with fewer resources to carry out their important work and are forced to explore alternative ways of generating revenue, including fundraising and social enterprise activities alongside delivering their impact programmes.

7 [Davis \(2007\) The Role of Nonprofits in the Production of Boilerplate. In: Ben-Shahar O, ed. Boilerplate: The Foundation of Market Contracts. Cambridge University Press: 120-130.](#)

8 [Frumkin, et al \(2000\) "When Missions, Markets, and Politics Collide: Values and Strategy in the Nonprofit Human Services." Nonprofit and Voluntary Sector Quarterly.](#)

9 [Roy \(2011\) Non-profit and Community-based Green Space Production in Milwaukee: Maintaining a Counter-weight within Neo-liberal Urban Environmental](#)

10 *ibid* 8

11 [Curley et al \(2024\). Competition and Collaboration in the Nonprofit Sector: Identifying the Potential for Cognitive Dissonance. Administration & Society.](#)

Methodology

Given the scenario, this research aims to understand the role of NPOs in driving systems change, surface challenges faced by NPOs in accessing systems change funding and explore effective collaboration models between NPOs and funders to drive impact at scale. The research was conducted through qualitative Key Informant Interviews (KIIs) with representatives from NPOs and funders from the impact sector. We combined insights from the KIIs and a conference roundtable, to understand challenges and perspectives related to systems change for NPOs and funders.

STAGE	DETAILS
Sampling Strategy	<ul style="list-style-type: none">• In the initial stage, a purposive sampling approach was employed to ensure a strategic selection of participants.• The sample selection process was facilitated through collaboration with AVPN and Arthan networks, aiming for a comprehensive and diverse representation within the study.• A stratified purposive sampling framework was maintained, focusing on key organisational characteristics.• Stratification was carried out based on characteristics such as geography, organisation size, and thematic areas of intervention. Additionally, the sampling maintained a balanced ratio of 2:1 between NPOs and funders.
Data Collection	<p>The data collection phase involved the execution of 16 semi-structured key informant interviews with both funders and NPOs. The collected data was transcribed and cross-checked manually for accuracy. The semi-structured interview questionnaire is provided in Annexure for reference.</p>
Conference Roundtable as Data Source	<p>Data collection extended to a roundtable organised by AVPN at the South Asia Summit, jointly facilitated by Arthan and AVPN. This session specifically focused on analysing drivers and constraints for systems change among small and medium-sized NPOs. Subsequently, facilitators consolidated participants' responses into common themes during the discussion. A share-back session was conducted to summarise key takeaways, integrating roundtable insights into the overall research findings.</p>

Methodology

STAGE	DETAILS
Thematic Analysis	Thematic analysis was conducted on the cleaned data, considering archetypal factors such as organisational size, strength, budget, location, and thematic intervention area. This approach aimed at identifying prevalent themes, challenges, and best practices emerging from the dataset.
Findings, Key Trends, and Recommendations	The research findings have been analysed to highlight key trends, best practices, testimonials, and lived experiences. Key excerpts from interviews were carefully selected and supplemented with relevant contextual secondary findings.

Sample Breakup

ORGANISATION NAME	TYPE OF ORGANISATION	REPRESENTATIVE	AREA OF OPERATION
Mahila Housing Trust (MHT)	NPO	Bijal Brahmhatt	Gujarat, Bihar, Jharkhand, Delhi
Badlao Foundation	NPO	Rajeev Sinha	Jharkhand
Saahas	NPO	Archana Tripathi	Karnataka and 14 other states
Mantra4Change	NPO	Santosh More	Karnataka, Punjab, North-East
Kagad Kach Patra Kashtakari Panchayat (KKPKP)	NPO	Lakshmi Narayanan	Maharashtra
Gramin Vikas Vigyan Samiti (GRAVIS)	NPO	Prakash Tyagi	Rajasthan
Voluntary Integration for Education and Welfare of Society (VIEWS)	NPO	S Bheema Rao	Odisha
Samvad	NPO	Ghanshyam	Jharkhand
Adhyayan Foundation	NPO	Bijan Singha, Tiasha Banerjee	Arunachal Pradesh, Tripura, Goa
Samvada - Badaku	NPO	Savitha Babu, Mandeep Kumar	Karnataka

Sample Breakup

ORGANISATION NAME	TYPE OF ORGANISATION	REPRESENTATIVE	AREA OF OPERATION
A.T.E Chandra Foundation	Philanthropic	Gayatri Lobo	Rajasthan, Madhya Pradesh, and Uttar Pradesh
Heifer International	Philanthropic	Neena Joshi	South Asia, Africa, United States
Rainmatter	Philanthropic	Sameer Shisodia	Pan India
Co-Impact	Philanthropic	Shagun Sabharwal	Worldwide
Rohini Nilekani Philanthropies (RNP)	Philanthropic	Natasha Joshi	Pan India
Tata Trusts	Philanthropic	Aparna Uppaluri	Pan India
Former Funder	Philanthropic	Anonymous	Not applicable

Analysis and Findings

A. ELEMENTS OF SYSTEM CHANGE

In this section, we delve up into the understanding of systems change. Additionally, we will analyse shared understanding and experiences among stakeholders actively engaged in systems change initiatives. It is important to note that the thematic domain within which an organisation operates significantly influences its conceptualisation of systems change. Whether the non-profit or funding organisation is addressing issues of environmental conservation, healthcare, education, or poverty alleviation, the unique contexts of each thematic issue area profoundly shape an organisation's objectives, focus areas and operational methodologies and consequently, an organisation's understanding and approach to systems change.

Detailed within the section are further perspectives on overarching elements of systems change for different stakeholders. The section also splits into providing perspectives on systems that are important for both NPOs and funders respectively.

The Role of Inter-organisational Collectives: Systems change requires collaboration between different sets of NPOs, funders, government stakeholders, and civil society. Funders can facilitate systems change by collectivising NPOs by establishing platforms to exchange knowledge, resources, and techniques to develop systems change.

“

“Having a common platform where small and medium NPOs can come to consensus and have a common voice on concerns that matter in creating systemic changes is the need of the hour.” - Archana Tripathi, CEO, Saahaas

The Value of Co-learning Opportunities: Recognising the interconnected nature of social initiatives, the importance of collaborative learning among NPOs cannot be overstated. Co-learning transcends organisational boundaries, encouraging the exchange of knowledge, experiences, and innovative approaches. By fostering partnerships and shared learning environments, NPOs can collectively navigate complex challenges, capitalise on successes, and adapt strategies to address evolving societal needs.

“

“Shadowing emerges as a vital learning tool for smaller NPOs seeking to create systemic change. Encouraged by collaborative spirits, these organisations send teams to observe and interact with larger counterparts on the ground in regions like Bihar, U.P., and Punjab. This firsthand experience facilitates a profound understanding of project implementation and fosters direct interactions with key stakeholders, including state heads and education authorities. By witnessing and engaging in these dynamics, smaller NPOs gain practical insights, enabling them to adapt effective strategies. Shadowing thus becomes a conduit for knowledge exchange, empowering smaller entities to contribute meaningfully to the broader goal of systemic change.” - Santosh More, Director, Mantra4Change

Analysis and Findings

Driving Change from Top-down vs Bottom-up: Most NPOs expressed that for systems change to be effective it requires a top-down approach. For example, in the case of Adhyayan, an NGO that works on education, involving administrative and government officials such as district magistrates and directorates of education allowed them to work deeply at the intersections of education, policymaking, and make a system-wide impact. On the other hand, a bottom-up approach, which enables localised governance allows for advocates to self-rule and work on issues that are most familiar. Over and above that, there are organisations like Mahila Housing Trust, which believes that a more sophisticated multilevel model, which leverages both bottom-up and top-down initiatives, is needed to drive meaningful systems change at scale.

Moving from Prototype to Scalability: One of the key questions that respondents face is the degree of scalability. For some non-profits like Adhyayan and Mantra4Change, a huge component of operationalising systems change approaches is the ability to partner with the government, and operate levels that demand scale. The organisations reported that while it may not be a perfect cause-and-effect correlation, working with the state requires that NPOs have achieved or demonstrated some degree of scale in their operations and reach. For Adhyayan and Mantra4change this journey to scale has had significant impacts on budget affirmations, teacher assignments and visibility at the central level which affects overall impact outcomes. However, for a new organisation or project, it is difficult to work at scale without an established track record. So how systems change can be targeted by developing successful prototypes which would eventually build up to scale. For instance, Adhyayan started with 210 schools in the state of Tripura and went on to work with 1440 schools, growing their influence and impact over time. Over time, this allowed the organisation to expand its systems change efforts by engaging with more states in the country, such as Arunachal Pradesh. Successful scalability can contribute to building goodwill with government partners, which, in turn, can facilitate the widespread implementation of systemic change efforts.

“*In this context networking with key stakeholders is another crucial element, requiring the skill to align diverse interests and create win-win situations, even for those who may perceive losses in the process of change.*” - **Neena Joshi, SVP, Heifer International**

FUNDERS PERSPECTIVE ON ELEMENTS OF SYSTEMS CHANGE:

Enabling Knowledge Sharing: Funders also expressed how capitalising the collective pool of experiences, expertise, and innovative strategies within the NGO community cultivates an environment of mutual empowerment. Sharing insights, best practices and challenges among peers can catalyse organisational growth by fostering a spirit of continuous improvement. This dynamic exchange not only enhances the effectiveness of individual NGOs but also contributes to the sector's overall resilience and adaptability.

Analysis and Findings

“

“To understand what works and what doesn't and share it is pertinent to the cause of creating systemic change. Similar to best practices and success stories, it is equally essential to share stories of what has not worked and that can be a learning opportunity for everyone.” - **Gayatri Lobo, CEO, A.T.E Chandra Foundation**

Embracing Collective Approaches: Systems change encompasses a multifaceted approach, targeting various gaps, spanning from policy adjustments to on-the-ground interventions. An illustrative example shared by Heifer on how systems change can be enforced involved a grassroots project in Nepal addressing gaps in the value chain, focusing on market and production issues where engagement with government entities to refine policies and procedures was a key component of the initiative. The pivotal step, however, revolved around personal transformation, changing individuals' mindsets, particularly among historically marginalised populations, enabling them to adopt a growth mindset. Additionally, fostering organised collectives empowers them to drive meaningful change collectively. Depending on the change sought, engaging stakeholders, such as traders and buyers in market systems, becomes essential. Systems change, in this case, was an interplay of push and pull forces— from changing community mindsets to improving economic structures and market dynamics.

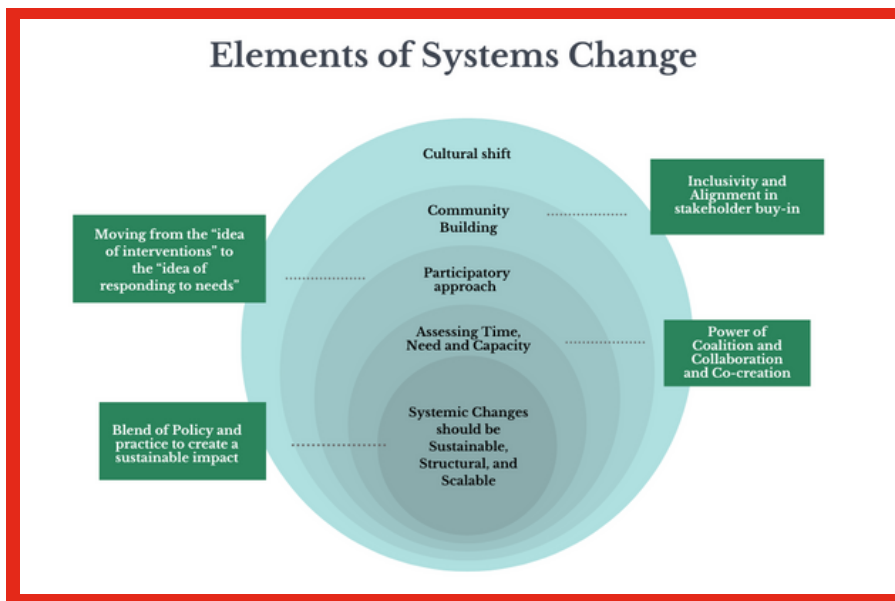


Diagram 1: Elements of systems change from NPO's perspective

Analysis and Findings

Diagram 1: Elements of systems change from NPO's perspective

This framework encapsulates the essence of effective and sustained transformation. Systems change hinges on sustainability, structure, and scale. Evaluating needs, time, and capacity is pivotal. A participatory approach strengthens community ties, fostering long- envisioned shifts in behaviour and culture. Essential considerations include stakeholder inclusion, collaboration, and a strategic blend of advocacy, research, and grassroots efforts. Organisations spearheading systems change must prioritise responsive solutions over interventions, ensuring a comprehensive and lasting impact.

NPOS PERSPECTIVE ON ESSENTIAL ELEMENTS TO ATTAIN SYSTEMS CHANGE

NPOs working to steer systems change have different thematic pushes, and experiences, and by virtue of this, different understandings of systems change. However, our analysis found them to share certain commonalities in their understanding and definition of this transformative process. These shared elements reflect a collective recognition of key principles and approaches necessary for effective systems change. Here are some commonalities across NPOs engaging in systems change:

Holistic and Multidimensional Approach: NPOs commonly view systems change as a holistic process that addresses interconnected components within a system. This entails recognising the interdependencies and relationships between various elements to achieve sustainable impact. KKPK demonstrates a commitment to constant learning and accumulating knowledge to this end- “Kagad Kach Patra Kashtakari was established to add the environmental value of waste picking and elevate it beyond just a means of livelihood. Over time, the organisation expanded into various sectors, such as cooperative scrap stores, composting, and plastic recycling.” The expansion into various sectors emphasises a holistic approach, aligning with the core principles of systems change.¹²

Long-Term Vision: A shared emphasis on the importance of a long-term vision is evident. Organisations recognise that meaningful systems change requires sustained efforts over time, extending beyond immediate outputs.

Collaboration with Governments: NPOs, like Mantra4change, act as intermediaries, introducing successful models across states and promoting knowledge sharing. State officials may lack time or incentives for innovation. Mantra4change collaborates actively, aligning programmes with policies and shaping new ones. The organisation emphasises sustainable grassroots interventions with interconnected dimensions—policy, budget, and leadership. This approach encourages a shift in the public sector towards prioritising development outcomes, marking a cultural change with lasting implications.¹³

¹² Markovic, A., & Krmpot, V. (2014). Holistic-systemic approach to change management. *Ekonomika, Journal for Economic Theory and Practice and Social Issues*, 60(3), 149-160.

¹³ [Indiaspora, Nonprofit Success Strategies for Partnering with Government: Lessons from India](#)

Analysis and Findings

Adaptive Learning: A commitment to adaptive learning is shared among organisations. Acknowledging the complexity of systems, there is an understanding that continuous learning, feedback loops, and adaptive strategies are essential for navigating uncertainties and refining interventions.

Cultural and Behavioural Shifts: Many organisations recognise the need for cultural and behavioural shifts within the system. This involves addressing underlying attitudes, norms, and practices that contribute to the challenges being addressed.

Multidisciplinary Approaches: Systems change is often seen as a multidisciplinary endeavour. Organisations integrate a variety of approaches, combining advocacy, research, grassroots work, and technology to create comprehensive strategies for transformation.

Root Cause Analysis: There is a shared commitment to understanding and addressing root causes rather than merely addressing symptoms. This involves a deeper analysis of systemic issues to create lasting change.

Flexibility and Adaptability: Organisations recognise the importance of flexibility and adaptability in responding to changing circumstances. This includes adjusting strategies based on ongoing assessments and feedback from the evolving system.

Ethical Considerations: Ethical considerations are commonly embedded in organisations' definitions of systems change. This involves a commitment to social justice, equity, and ensuring that interventions do not unintentionally perpetuate harm or inequalities.

B. RESOURCES NEEDED FOR CREATING SYSTEMS CHANGE:

Cultural Competence Resources: Understanding and respecting the cultural context of the communities involved is crucial for successful systems change. Resources for cultural competence training and hiring staff with diverse backgrounds contribute to effective engagement.

Capacity Building and Organisation Development: This is crucial, involving technical training for the team, translating expertise into accessible language for the community. Continuous handholding support for NPOs by funders is essential, ensuring the team remains adept at addressing evolving challenges.

Technology and Tools: NPOs require technological tools and platforms to collect, manage, and analyse data efficiently. This includes software for project management, data visualisation, and communication tools to connect with diverse stakeholders

Analysis and Findings

“

“A skilled team, strong human resource structure, ongoing capacity building, and reliable data are foundational resources for driving meaningful and sustainable change in tribal communities.” - Rajeev Sinha, Director, Badlao Foundation

Funding: The funding landscape transformation, particularly post-FCRA* amendments, has posed intricate challenges. Traditionally, larger NGOs handled programme aspects, leaving grassroots organisations to manage finances and data. However, recent changes demand smaller organisations to operationalise areas such as communications and fundraising which were once overseen by larger counterparts through new collaborations.

Attracting skilled human resources: Attracting skilled human resources with the necessary skills to operationalise systems change initiatives compounds challenges, as organisations grapple with limited budgets, affecting talent acquisition. Navigating these complexities is crucial for organisational resilience amid evolving funding dynamics.

Factoring overheads: Donors should factor in inflation, cost of living, and dedicated human resources when increasing requirements specific to systems change initiatives. Seeking individuals with the skills to manage the organisation is crucial. Academic qualifications alone might not suffice and individuals in partner organisations might need to be supported with job training and capacity building. This approach demonstrates a comprehensive understanding of the challenges and facilitates effective programme implementation.

“

“Addressing funding challenges requires aligning donor expectations with programme costs. While implementing programmes for direct change, funders often overlook factors such as inflation, and competitive salaries that need to be paid to retain suitable resources.” - Bijal Brahmhatt, Director, Mahila Housing Trust

C. MEASURING IMPACT FOR SYSTEMS CHANGE

Measuring impact in the context of systems change necessitates a multifaceted approach, incorporating both macro and micro data points. Traditional components such as numerical metrics, longitudinal studies, and baseline to end-line assessments are integral aspects of this evaluation. Understanding that capturing and quantifying systems change at different geographical levels, local, regional and national, would require customised matrices and parameters instead of implementing a blanket approach.

*FCRA = Foreign Contribution (Regulation) Act, 2010

Analysis and Findings

Beyond conventional indicators, it is imperative to recognise that the scope of systems change extends well beyond the formulation of policies. It equally encompasses the intricate process of policy implementation and the subsequent benefits derived from these policies. Thus, a comprehensive impact measurement framework should not only quantify numerical outcomes but also delve into the qualitative aspects of how systems change manifests and influences various stakeholders. This holistic perspective ensures a thorough comprehension of the dynamic interplay between policy formulation, execution, and the resultant positive effects within a given context.

“

“Impact measurement matrices should also delve into the micro-level intricacies. For instance, when studying a city like Ahmedabad, a localised approach using a 28 sq grid to identify the most vulnerable ward can be more impactful when corroborated with micro-level primary data.” - **Bijal Brahmhatt, Director, Mahila Housing Trust**

D. HOW CAN NONPROFITS BUILD TRUST AND ALLEVIATE CONCERNS FOR FUNDERS?

Funders recognise that there are a spectrum of organisations driving systems change, ranging from those experimenting with smaller innovations to larger entities. However, they also admit that engaging in systems change meaningful often requires a certain level of organisational maturity and expertise. Many organisations, focused on specific programmes find it challenging to plug into ongoing systems change efforts due to constraints like responding to requests for proposals (RFPs) and misalignment with donor priorities. In this regard, Co- Impact with their commitment towards steering systems changes through their funding streams opines that “The struggle lies in balancing the need for resources with the freedom to pursue what organisations believe is the right approach to achieve systems change. This delicate balance is crucial for organisations navigating the complexities of funding and implementing systems change initiatives.” In this section we provide a few recommendations for NPOs so that they can be better positioned to engage in ongoing systems change programmes and initiatives.

- **Building M&E Competency** - Robust monitoring & evaluation (M&E) processes ensure accountability and transparency. Nonprofits with strong M&E teams demonstrate the ability to generate consistent and replicable results, contributing to standardised quality control. Moreover, a proficient M&E team can streamline third-party evaluations, facilitating a more comprehensive understanding of impact. An enhanced evaluation capability, in turn, can foster improved funder management, as funders can more confidently gauge the effectiveness of their investments and make informed decisions to drive meaningful systems change.

Analysis and Findings

- **Periodic Donor Engagement:** One of the most important things that NPOs can do is manage donor expectations through periodic engagement. While quarterly reports and impact evaluations are important tools for donor expectations, qualitative inputs are equally valuable. Often donors stay unaware of the working realities of projects and get to know quite late into programme implementation. NPOs should make it a practice to be transparent with donors through periodic engagement which can even be done more informally. This is a key element to unlocking sustainable funding.

Key Trends

WHAT DO NPOS NEED FROM FUNDERS TO STEER SYSTEMS CHANGE?

➤ Trust Capital:

Trust among stakeholders, including funders, partners, and community members, is essential for collaboration and sustained commitment. Building and maintaining trust contribute to the long-term success of systems change efforts.

➤ Risk Capital:

Systems change often involves challenging the status quo and addressing the root causes of complex issues. This inherently carries risks, as the outcomes may not be immediately apparent or guaranteed. This includes regulatory risk, the risk of not achieving impact outcomes and the risk of shutting down before due time. Funders in the systems change ecosystem should understand and embrace these risks, recognising that transformative change may require experimentation, learning from failures, and adapting strategies over time.

➤ Patient Capital:

Systems change is a complex and long-term process that may not yield immediate results. Systems change initiatives may require a sustained commitment over an extended period. Funders and stakeholders should take into consideration the time taken to see systemic change.

“

“We communicate clearly to all our funders that they are investing in a systemic transformation, not just a programme. The key ingredient we seek from funders is patience. Our initiatives are structured as three to five-year programmes, with the initial five to six months dedicated to laying the groundwork, especially in a new state. During this initial phase, the focus is not on immediate tangible outcomes, but rather on understanding the nuances and intricacies of the local context. Asking for results in the first five to six months is akin to counting cups of tea consumed– it doesn't align with the long-term nature of systemic change.” - **Santosh More, Director, Mantra4Change**

➤ Increased Scope of Funding outside of Programmatic Funding:

Creating systems change is about addressing the symptoms, creating behavioural change and cultural shifts; funds mapped against periodic deliverables should factor in overheads like organisation development to empower NPOs to create lasting impact and make sustainable systemic shifts.

Key Trends

“

“Working on steering systems change can be challenging with NPOs struggling with internal challenges and dearth of capacities. Having scope for Organisational development in funding systems change initiatives will work well for small NPOs to develop capacities and work with greater diligence” - **Archana Tripathi, CEO, Saahaas**

➤ **Redefined Funding Relationships and Communication:**

A critical paradigm shift would be to recognise the paramount importance of redefining the relationship between funders and funded entities to accommodate qualitative feedback mechanisms, emphasising the significance of candid and transparent updates.

“

“What we've found to be the most effective in our relationship with funders is the regular, transparent updates on our progress, regardless of success or challenges. They are less concerned about immediate outcomes and more appreciative of our commitment to being prompt, punctual, and candid. We've discovered that what truly resonates with them is our openness and vulnerability. For instance, for five months, our Disha platform encountered issues, affecting the readiness of certain programmes. In this situation, we chose to be completely honest with our funders, acknowledging the setback and its impact on metrics. This approach not only reinforces our commitment to transparency but also fosters a relationship built on trust and mutual understanding. - **Santosh More, Director, Mantra4Change**

➤ **Support for Organisational Capacity Building:**

Quite a few organisations have mentioned that funders focus heavily on programmatic funding over operational activities. While it is essential to focus on the quality of impact and the programmes supported at large, nonprofits operate similarly to any other company. Good work requires great teams which necessitates the need for working capital to be spent on human resources. Funders can steer systems change by supporting operational and human resource (HR) activities that are the bedrock of any successful systems change endeavour.

➤ **Evolving ways to Measure Impact:**

One way for funders to steer systems change is through supporting M&E which could help steer the overall impact which in turn affects systems change. Funders can facilitate this through the development of metrics that will aid the function of the programmes. In addition to this, supporting third-party evaluations financially is also one way to steer the systems change. Anything that lessens the burden of NPOs from their core work and operational activities would be the best way to support them.

Key Trends

➤ **Changing Donor Perceptions and Narratives:**

Funders can drive systems change by reshaping the perspectives of those inclined towards programmatic funding. Relying solely on individual programmes fosters a narrow understanding of impact limited to project durations. Achieving significant systems change requires adopting a holistic viewpoint. This encompasses changing perceptions at the systemic level and engaging with other funders who share a similarly restricted perception of impact.

For instance, the A.T.E Chandra Foundation recognised that fostering broad, systems change could yield a more substantial impact than focusing solely on programmatic endeavours. Shifting perspectives and narratives opens avenues for NPOs to secure funding for large-scale systemic initiatives, transcending prevailing sector trends. This strategic reframing facilitates a more profound and sustained impact on a broader scale.

Challenges & Opportunities

CHALLENGES FACED BY SMALL AND MEDIUM NPOS IN STEERING SYSTEMS CHANGE:

- **Lack of Unified Platform/Space:** The lack of a unified platform or space within the civil society sector presents a significant obstacle to effective advocacy, co-creation, collaboration, and allyship. Without a cohesive front, NPOs, irrespective of their thematic areas and functions, face challenges in coordinating efforts. This fragmentation hampers the sector's collective ability to address complex issues comprehensively. A unified platform would enable the pooling of resources, knowledge, and diverse perspectives, fostering a more powerful and synergistic approach to societal challenges. Overcoming this challenge requires fostering a culture of collaboration, creating shared spaces, and establishing mechanisms for open communication and joint action within the civil society landscape.
- **Patience Scarcity:** Both organisations and funders face a scarcity of patience. The time-insensitive nature of steering systems change requires a measured approach, emphasising the need to avoid rushing the process. Patience scarcity in organisations and funders hinders the intricate process of steering systemic change. Complexities inherent in altering entrenched systems demand a measured approach, emphasising the perils of rushing. Systems change is time-intensive, with progress often unquantifiable in the short term. Impatience may lead to superficial, unsustainable outcomes, overlooking the need for deep, lasting transformation. Resistance to established norms requires careful navigation, and cultural shifts necessitate time for adaptation. Continuous learning and iteration are crucial, as are building trust and collaboration, which takes time to mature. Balancing short-term wins with a focus on enduring impact requires a patient, strategic mindset.
- **Envisioning Behavioural Changes and Cultural Shifts:** Programmatic funding often neglects the essential element of behavioural change, a key component of systems change. Excessive focus on year-end goals within programmatic frameworks can impede the broader objective of driving systems change. This requires not just structural or procedural changes but a fundamental shift in the behaviour of all the agents within the system. This includes individuals, organisations, and communities involved. Behavioural change involves altering attitudes, beliefs, and practices to align with the long-term goals of systems change. It requires a holistic approach that considers the motivations, incentives, and cultural aspects influencing behaviour. Systems are comprised of interconnected agents that operate within a shared culture. Cultural shifts involve changing the underlying values, norms, and assumptions that guide behaviour within the system. Programmatic funding often focuses on tangible outputs, such as the number of projects completed or the achievement of specific milestones. However, these outputs may not necessarily reflect the deeper cultural changes needed for sustained systemic transformation.

Challenges & Opportunities

- **Communication Gap in Stakeholder Awareness:** Insufficient sharing of stories and lived experiences to relevant stakeholders creates an information gap. Establishing an inclusive information ecosystem is essential for informing grantees and funders about the challenges and experiences in driving systems change, and enabling informed grant-making strategies. Another way in which the communication gap functions is through a difference in language. For instance, in Tripura, Adhyayan supports largely Bengali medium schools that contain students who are primarily tribal language speakers.
- **Over-emphasis on Models vs a Long-Term Vision:** A significant challenge identified by the funding organisation A.T.E Chandra Foundation is the prevalent overemphasis on models and frameworks at the expense of a long-term vision within the sector. The focus on specific models can sometimes lead to disproportionate attention to short-term, tangible outcomes rather than the overarching impact. The absence of a robust, long-term vision impedes sustained systems change. True transformation requires a strategic, forward-looking approach that extends beyond immediate results. A.T.E Chandra Foundation underscores the importance of fostering a collective commitment to enduring, systemic change, encouraging organisations to align their efforts with a comprehensive, future-oriented vision to address complex challenges effectively.
- **Developing and Fostering Relationships with the Government:** Many of the NPOs have mentioned that building and fostering relationships with the government from the onset is very important. Working with the government is the way to steer systems change, as the government, in most cases, is the custodian of systems. However, NPOs have mentioned the challenge of building such relationships with bureaucrats. The first 6 months are thought to be the most challenging period, therefore how this could be mitigated is through constant informal interaction. One non-profit organisation mentioned that impact should only be measured in the “number of cups of tea” rather than any other metrics.

Looking Ahead: Recommendations

Derived from the Key Informant Interviews (KIIs), the insights provided by NPOs and funders have been analysed, culminating in a comprehensive set of recommendations for the systems change ecosystem. This serves as a resource for those working to steer systems change, offering actionable insights from real-world examples and generous advice from interviewees. Rooted in collective wisdom, it provides a concise framework for positive systems change.

RECOMMENDATIONS FOR FUNDERS

- **Determining the Scope:** Despite some funders acknowledging the challenges associated with programmatic funding in the context of systems change, there persists a prevalent tendency to prioritise metrics and numerical indicators solely for cost-based impact justification. This inclination towards quantifiable outcomes often results in an overemphasis on programmatic work, creating a potential impediment to the broader progression of systems change initiatives.
- **Funders need to believe in greater Capacity Development:** Funders need to develop more of an appetite to facilitate capacity building of organisations. This can be done through conducting modules on systems change. Funding organisations need to take on the role of empowering NPOs. Shifting the narrative from an impact and programmatic-driven focus to systems change approach requires confidence from funders. Such a signal would empower more NPOs to collaborate positively on systems thinking.
- **Collaborative Philanthropy:** Funders need to develop a shared vision of what systems change means to them, working as a sum of parts rather than a single component. One way to do that is to have more conversations with other funders and expand the range of diverse opinions and diverse means of financing.
- **Funders need to assume Responsibility by Assigning Champions:** Funders need to evaluate and assume responsibility as a key driver of systems change. Institutional funding makes a huge difference in driving systems change as it makes it so that NPOs are not just trying to chase survival. One way to do this is by assigning champions who would advocate for specific organisations amongst funder networks. This would instil a level of responsibility and trust.

Looking Ahead: Recommendations

RECOMMENDATIONS FOR NPOS

Drawing on the experiences and extensive scope of work undertaken by Non-Profit Organisations (NPOs), the following advice is offered for fellow NPOs engaged in steering systems change. These recommendations are derived from practical insights and experiential learning, providing valuable guidance for organisations in the shared pursuit of systemic transformation.

- **Prioritising Relationships with Funders who Prioritise Systems Change:** Adopting a strategy of prioritising relationships with funders who possess a deep understanding of and commitment to its mission. This emphasis on shared values contributes to sustainability in funding partnerships.
- **Prioritising Knowledge Exchange:** Emphasise knowledge exchange with other organisations to learn from successes and failures, fostering greater solidarity in the development sector.
- **A Holistic Approach with the Community:** Taking a Holistic Approach, especially at the community level, integrating diverse programmatic profiles to address various needs which adds to building trust in communities by spending time to earn trust so they see the organisation as one of their own.
- **Building Effective Coalitions and Addressing Power Dynamics:** It is essential to build powerful coalitions for change and undertake power analyses to address political and socio-contextual factors.
- **A Long-term Funding Priority:** Leaning towards a qualitative approach, rather than pursuing funding solely based on the scale of proposals. This involves seeking funders who appreciate the nuanced nature of its work and are willing to support impactful, mission-driven initiatives.
- **Engaging in Self-Reflection Practices:** NPOs need to be evaluated if they have the willingness and capacity to work in systems change. A large number of NPOs value short-term project-focused work to sustain themselves. By and large that is needed to maintain sustainability, however, if the NPO does not have the willingness to work long-term through undefined periods, then the NPO would be better placed in not engaging in systems change work. NPOs should also work on assessing their internal microsystems within their organisations and take periodic measures to strengthen these internal microsystems such as M&E, HR etc.
- **Confidence and Vision:** Within the NPOs, nurturing intrinsic confidence in their capabilities emerges as pivotal to ensuring sustainability. While the acquisition of funding frequently depends on showcasing robust organisational conduct, a notable shortfall persists within NPOs regarding their limited self-perception to drive systems change. However, NPOs are more than well-placed to create impact at scale given an enabling ecosystem.

Conclusion

In conclusion, this research outlines the intricate challenges and promising opportunities within the realm of systems change for both funders and NPOs. The diversity of organisations, thematic and geographical focuses, necessitates continued efforts to gather stakeholder feedback and improve understanding of the ecosystem to unlock further opportunities in steering systems change.

For funders, a compelling call to action emerges. A heightened commitment to capacity development is crucial, involving the facilitation of learning modules on systems change to empower NPOs. Collaborative philanthropy, marked by shared vision and diverse financing approaches, stands out as essential for maximising impact.

NPOs, in tandem, must prioritise relationships with funders who share a commitment to systems change. Engaging in knowledge exchange, both within the sector and with funders, fosters solidarity and facilitates learning from both successes and failures. Adopting a holistic approach at the community level, integrating diverse programmatic profiles, and establishing effective coalitions while addressing power dynamics are imperative for sustained impact.

The research signifies a paradigm shift in funding relationships and communication, championing transparent and candid updates to foster a collaborative and trusting partnership between funders and NPOs. Recognising the significance of qualitative feedback mechanisms and adopting a patient, strategic mindset are pivotal for navigating the complexities of systems change. This research lays the foundation for a new era of collaboration and understanding between funders and NPOs, underscoring the shared responsibility of driving enduring and impactful systems change. Embracing these recommendations allows stakeholders to contribute to a more resilient, responsive, and sustainable civil society that effectively tackles the complex challenges of our time. The time is ripe for the stakeholders in systems change ecosystem to unite in reshaping the future through thoughtful, strategic, and collaborative systems change initiatives.

About the contributors



AVPN is the world's largest network of social investors active in Asia, with 600 funders and resource providers across 33 markets. AVPN enables collaborations between policymakers, family offices, foundations and the private sector to increase the impact and flow of capital deployed towards closing SDG gaps in Asia. AVPN's mission is to catalyse the movement toward a more strategic, collaborative and outcomes-focused approach to social investing, ensuring that resources are deployed as effectively as possible to address key social challenges facing Asia today and in the future. For information, visit <https://avpn.asia/>



Arthan is a social enterprise dedicated to strengthening the social impact sector through capacity building and consulting support in the areas of human capital, organizational development and thought leadership. Through its inception, Arthan has collaborated with over 1,500 leading social impact organizations, connected with more than 500,000 job seekers, and organized over 100 forums that attracted 1,000+ social leaders and over 20,000 participants.

Oak Foundation

Oak Foundation commits its resources to address issues of global, social, and environmental concern, particularly those that have a major impact on the lives of the disadvantaged. Through our grant-making, we support others to make the world a safer, fairer, and more sustainable place to live. For information, visit <https://www.oakfnd.org>



Since 1944, Heifer International has worked with more than 46.4 million people around the world to end hunger and poverty sustainably. Working with rural communities in Africa, Asia, and the Americas, including the United States, Heifer International supports farmers and local food producers to strengthen local economies and build secure livelihoods that provide a living income. For information, visit <https://www.heifer.org>.

Annexure

Questionnaires Schedule for Key Informant Interview

FUNDERS	NPOS
Can you provide an overview of your organisation's funding priorities and areas of interest within the social sector?	Can you describe your organisation's mission and the specific social or environmental issue it addresses?
What does system change mean to you? What are some examples of it in the work that you do?	What does systems change mean to you? What are some examples of it in the work that you do?
Why is the concept of systems change so important to your work?	<ul style="list-style-type: none"> • Is the concept of systems change important to your work? Why so, or why not? • Is scale important to your organisation? What does that look like?
Which parts of this definition are relevant to your work? Provide an example.	Which parts of this definition are relevant to your work? Provide an example.
What resources (financial, human, technological) are necessary to facilitate systems change?	What resources (financial, human, technological) are necessary to facilitate systems change within your organisation?
What are the key challenges you observe when it comes to funding nonprofit organisations aiming for systems change?	What challenges has your organisation faced in driving systems change in your field?
Are there specific metrics or outcomes you prioritise when considering funding for systems change initiatives?	How do you measure the impact and progress of your systems change initiatives?
Have you partnered with other organisations or stakeholders to advance your systems change efforts? If so, what have been the key benefits and challenges of these partnerships?	Have you partnered with other organisations or stakeholders to advance your systems change efforts? If so, what have been the key benefits and challenges of these partnerships?

Annexure

FUNDERS	NPOs
<p>What role do partnerships and collaborations play in your funding strategy for systems change efforts?</p>	<p>What role do partnerships and collaborations play in your implementation strategy for systems change efforts?</p>
<p>What criteria do you use to evaluate grant applications from nonprofit organisations, particularly those seeking to drive systems change?</p> <ul style="list-style-type: none"> • How do you assess the capacity and readiness of nonprofit organisations to take on systems change work? • What types of projects or approaches have you found to be most effective in driving meaningful systems change? 	<ul style="list-style-type: none"> • What role does funding play in your organisation's ability to drive systems change? • Are there specific funding sources or mechanisms that have been particularly effective or challenging?
<p>Systems change is often synonymous with impact at scale, do you believe that scale is only possible in partnership with larger organisations? How can small and medium NPOs contribute to Systems Change?</p>	<p>Do you feel left out of funding conversations if you don't talk about systems change?</p>
<p>Are there specific funding mechanisms or models you have used to support systems change work among nonprofit organisations?</p>	<ul style="list-style-type: none"> • What are some small shifts or changes that you can make in your work to better fit into the ongoing conversations around systems change? • Can you describe any innovative approaches or best practices your organisation has discovered in your pursuit of systems change?
<p>What advice or guidance do you have for nonprofit organisations seeking funding to drive systems change? Are there common mistakes or misconceptions you've encountered in grant applications?</p>	<p>What advice or recommendations do you have for other small and medium-sized nonprofit organisations seeking to drive systems change and unlock funding?</p>