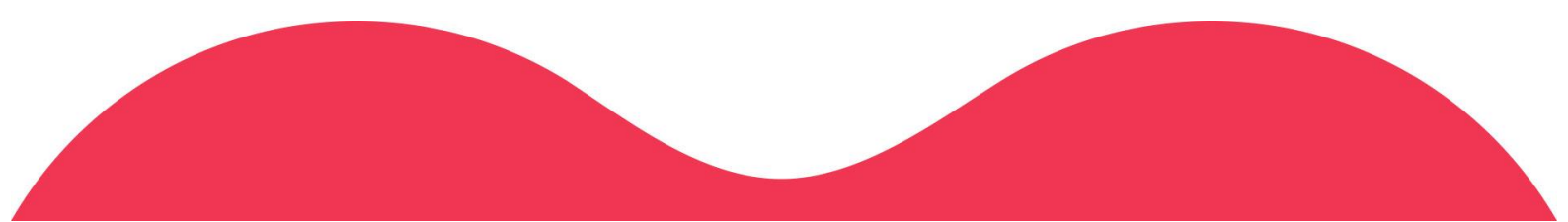


Unrestricted Funding: A Practical Guide for Funders

Case Study: Postcode Lottery Group

September 2026

Annex to: [Unrestricted Funding: A Practical Guide for Funders](#), Philea 2026



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About the Postcode Lottery Group

[The Postcode Lottery Group](#) is a non-profit social enterprise that channels lottery revenues into philanthropic causes. The Postcode Lottery Group was set up to generate funding for social causes through commercial lottery activities. In each country of operation, a legally required share of revenue is allocated to non-profit organisations, allowing the lotteries to operate at scale while maintaining a philanthropic purpose.

Since the establishment in 1989, the Postcode Lottery Group has developed into a major private donor to civil society organisations, supporting local and international organisations in areas such as social cohesion, international development, health, environment and culture.

As of 2026, the Postcode Lottery Group operates charity lotteries in the Netherlands, Sweden, Great Britain, Germany and Norway and is expanding into Ontario, Canada. More than 15 million lottery players make it possible for the Group to donate over €1 billion per year to more than 460 long-term charity partners and thousands of community initiatives. In total, more than €15.5 billion has been donated to charities since the start.

The focus of the Postcode Lottery Group is on strengthening civil society through the provision of long-term unrestricted funding based on a trust-based partnership model. Beyond financial transfers, the lotteries also build long-term relationships with grantees, combining funding with visibility, networks and legitimacy.

Why unrestricted funding

The commitment to unrestricted, multi-year funding dates back to the creation of the first Postcode Lottery in the Netherlands in 1989. From the beginning, the model combined long-term partnerships with flexible funding conditions.

Over time, this approach has become part of a broader shift towards trust-based philanthropy. While most funders still rely on restricted grants, the Postcode Lottery has remained an early and relatively rare example of sustained unrestricted funding at scale. The model has also evolved through practice.

The central rationale for unrestricted funding is a belief that organisations themselves are best placed to decide how resources should be used.

This approach rests on three connected ideas:

1. Unrestricted funding emphasises trust in the expertise of grantees. The funder deliberately avoids dictating detailed spending decisions, allowing organisations to allocate resources in line with changing needs.
2. It responds to the limitations of project funding. Traditional funding often restricts spending and underfunds core costs, contributing to what research describes as

the “non-profit starvation cycle”, where organisations struggle to sustain essential functions.

3. It enables flexibility and innovation. Organisations can respond to crises, invest in organisational capacity, and work on issues that are difficult to fund through project grants, such as advocacy or system change.

In practice, this means that funding is intended not only to support programmes, but to strengthen the organisation as a whole.

Scale of funding

The Postcode Lottery Group operates at a significant financial scale, distributing hundreds of millions of euros annually to non-profit organisations. For example, in 2025 the Postcode Lottery Group donated €1 billion to charitable causes, demonstrating sustained, large-scale giving.

Although one-off grants are occasionally awarded to new applicants and existing partners for specific projects or particularly innovative initiatives, such as Dream Fund projects, the core of Postcode Lottery funding is centred on long-term, unrestricted partnerships (469 organisations in 2026).

In addition, each Postcode Lottery has mechanisms in place to ensure that local initiatives and smaller organisations across the entire country of operation can access funding. While this represents many thousands of grants each year, most of the funding – on average around 80% – is allocated to multi-year charity partners. This approach provides organisations with the stability and flexibility needed to maximise their impact and achieve sustainable, long-term change.

This scale is coupled with substantial grant sizes. Funding from, for example, the Dutch Postcode Lottery typically starts at around €300,000 per year and can reach as high as €15 million annually for a single organisation, usually within multi-year agreements of at least five years.

This design places the lotteries in a distinct position within philanthropy, combining high-value grants with long-term commitments and a limited number of partners.

What they support

The funding is directed towards organisations working across key areas of public interest. These include international development, environmental protection, health and well-being, social issues and cultural initiatives. Within this broad portfolio, the Postcode Lotteries allocate their funding to a large variety of charitable causes for people and planet in the countries of operation as well as abroad.

Funding is designed to strengthen organisations rather than to finance individual projects. It is often used to invest in organisational capacity, respond to emergencies, cover core costs, and support activities such as advocacy, innovation or system-level change that may not fit traditional project-based funding frameworks.

Application, selection and due diligence

Access to unrestricted funding from the different entities within the Postcode Lottery Group differs depending on local circumstances, often dictated by the legislative conditions under which the lottery operates in the specific country. But in general, it can be said that due diligence focuses on organisational quality rather than project detail.

Organisations must meet basic eligibility criteria, including having a national reach, professional capacity, and an established track record of fundraising and operations. Financial stability, governance, credibility and mission alignment are key factors. With the source of funding coming from lottery players from all walks of life, local support and public recognition are important criteria for the lotteries to enter a multi-year partnership. Importantly, organisations are not required to submit rigid project plans, as this would undermine the flexibility that unrestricted funding is intended to provide.

The selection process typically involves several stages. There is an open application process. An initial screening assesses eligibility and alignment with the lottery's mission. A longlist is developed jointly by internal staff and leadership, followed by a final decision by the board of directors and formal approval by a grants council.

The biggest part of the grants is awarded as multi-year partnerships, typically covering five years. This reflects a deliberate move away from short-term project cycles towards sustained collaboration.

Relationship management and monitoring

The funding relationship is characterised by a flexible and trust-based approach. Interaction between funder and grantee is described as open and informal, with frequent dialogue at different levels. This communication builds mutual trust and allows challenges to be discussed without a compliance-driven tone.

All lotteries within the Postcode Lottery Group go to great lengths to maintain frequent contact with the charities and to organise gatherings where they can meet their peers. Collaboration is encouraged, as are initiatives that go beyond funding. A key part of the lottery's work is raising funds for charities and awareness of their work at the same time. The teams working within the lottery operations are known for their engagement and drive to help promote the work of the charity partners through every communication channel possible.

Certain aspects of the relationship, like reporting obligations and what to do in case of important internal and external developments, are of course formalised in the contract, indicating that flexibility does not mean an absence of structure.

Long-term partnerships are regularly evaluated, typically every three to five years. The focus of these evaluations is not on the specific use of Lottery funds, but rather on the organisational and financial development and the results the partner has achieved over the contract period, as well as how these results compare with the plans and objectives they set out to achieve. While the use of Lottery funds within the organisation is an important topic of discussion, this is primarily to understand how the funds are being used, to encourage their allocation towards activities that generate the greatest impact, and to gain insight into the organisation's level of financial dependence on Lottery funding.

For the yearly reporting between evaluations, long-term grantees are required to hand in their annual report and audited financial accounts, so that general developments in strategic direction and (financial) results can be monitored. Also, staff from the Lottery's charity departments have monitoring meetings throughout the year with each partner to discuss current strategic developments within the organisation and the context in which it operates.

Measurement, expectations and accountability

Although unrestricted funding removes detailed reporting obligations, it does not eliminate expectations. Instead, accountability shifts from strict compliance to broader performance and contribution. Grantees report that funders expect transparency, good work and timely communication. These expectations are not always formally stated, but they shape behaviour.

Research identifies broad objectives associated with this funding approach, including strengthening effectiveness, enabling innovation, and supporting independence.

However, measurement remains complex. Without predefined indicators, organisations may experience uncertainty about what constitutes success. Many feel a need to demonstrate impact and justify continued support, even in the absence of explicit requirements. This creates a shift from quantitative performance metrics to more narrative forms of accountability, such as demonstrating relevance, learning and contribution to societal change.

Effects and outcomes

Evidence suggests that unrestricted funding has several positive effects on organisations. It improves financial stability and allows investment in core capacities

such as staffing and infrastructure. It also enhances flexibility, enabling organisations to adapt quickly to changing contexts or crises.

Another key effect is increased independence. Organisations can pursue advocacy or critical positions without being constrained by donor priorities linked to specific projects. At the same time, the relationship involves mutual dependency. While organisations rely on funding, the funder also depends on the credibility, ideas and networks of grantees to maintain its legitimacy and public appeal.

Key learnings

This case highlights that:

- Unrestricted funding is not simply about removing restrictions. It requires a different type of relationship between funder and grantee.
- A central lesson is the importance of balancing trust with clarity. While flexibility is essential, organisations benefit when funders articulate both explicit and implicit expectations.
- Another learning concerns power dynamics. Even in trust-based models, power does not disappear but becomes more subtle, embedded in selection processes and informal expectations.
- The case also shows that unrestricted funding is particularly effective for strengthening organisational capacity and enabling long-term change.

Contact

Want to know more? Get in touch!

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For more information on the Postcode Lottery Group, visit:

postcodelotterygroup.com

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