



# Adopting Grantmaking Practices

**From Program Priorities and Operations in Foundation Building Sourcebook: A practitioners guide based upon experience from Africa, Asia, and Latin America**  
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## Section 4 Adopting Grantmaking Practices

There are a number of different grantmaking methods and types of grants. This section describes four particular practices used in selecting grantees/partners and providing grant support.

Example 1	A Request for Proposals (RFP) <i>Vamos Foundation (Mexico)</i>
Example 2	Foundation-Initiated Proposals <i>Puerto Rico Community Foundation</i>
Example 3	Challenge Endowment Grants <i>Foundation for Higher Education (Colombia)</i>
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What are Different Types of Grantmaking Practices?

Once a foundation has determined its broad goals and objectives and the programs and strategies it will implement in pursuit of those objectives, its next task is to decide how to announce those programs and select the grantees or partners (many foundations are adopting the term “partner” to avoid the hierarchical difference implied in the terms “grantor” and “grantee”). It is in the interest of the foundation to clearly delineate the precise areas in which it makes grants and by extension those fields in which it does not give grants. This should then be communicated to prospective grant applicants and others in the form of grant application guidelines. How a foundation selects its grantees determines its grantmaking practice.

A review of grantmaking mechanisms shows that different mechanisms are appropriate for different programs. For example, as we will discuss later, in the case of a program to support the work of NGOs and CBOs in implementing innovative micro projects at the community level, a request for proposals (RFP) may be the best mechanism. In contrast, if the foundation is supporting the creation of a new multi-stakeholder partnership or a new initiative to promote local corporate responsibility, then the judicious selection of grantees based on a study of key organizations with relevant skills may be most appropriate.

In either strategy the foundation has to be transparent in its actions and avoid any hint of favoritism. Where selection panels or advisory committees are set up, care must be taken to ensure there is no conflict of interest (i.e. members of the committee should not have a personal interest in any of the organizations being considered for grants).

The choices a foundation makes depend on the objectives to be achieved and on the context, such as the state of the nonprofit sector in the country. In most cases foundations will adopt a mix of mechanisms. The ultimate aim is to ensure that the objectives of the foundation are met in the most efficient way possible. This does not necessarily mean supporting the strongest organizations in a given field. The aim of the foundation may be to strengthen those organizations with less capacity. Some common practices discussed in this section are:

#### *Request For Proposals (RFP)*

When a foundation publicly announces the availability of grants, this method has the advantage of giving visibility to the foundation and at the same time providing an open and transparent process. It also helps identify organizations not previously known to the staff either with existing capacity or the potential to make a contribution in addressing priority issues. RFPs are likely to be directed towards specific types of organizations (e.g. research organizations, NGOs or community-based organizations). The process tends to be time intensive particularly if outside review bodies are involved. The example of the Vamos Foundation is used in this chapter to illustrate the RFP method applied to community-level micro-projects.

Even where an RFP is issued, foundation staff often have to play an active role in identifying potential grantees and even providing support in the preparation of proposals. This is particularly true in cases where target grantees are community organizations or small NGOs with little experience in submitting proposals.

#### *Foundation-Initiated Proposals*

Another option is one in which the foundation determines that in order to achieve its objectives it needs a specific function or task carried out by a certain type of organization with specific skills. For example, the foundation requires a specific policy study to be prepared, such as a pilot project to be designed and implemented, a network of grantees to be established, a training program to be designed and conducted or a policy conference to be organized. In those cases, foundation staff are likely to have one or more specific organizations in mind with the requisite skills and whom they would ask to submit a proposal. In certain cases they might even assist in preparing the proposal.

In other cases the foundation may see that a new organization needs to be created to carry out a set of tasks. The foundation can play a catalytic role in making this happen by providing critical seed funding and encouraging other donors to contribute. The Puerto Rico Community Foundation has used this approach with effect in order to fill needed gaps in the research field.

#### *Grants to Individuals*

We examine the case of a foundation (Child Relief and You—CRY, of India) which has opted to provide individual awards as part of its mix of grants. This is part of a strategy for identifying, encouraging and supporting leadership in civil society

organizations working on issues of prime concern to the foundation. In other cases foundations make study awards available for individuals whose capacity is key to an organization's development.

#### Making Decisions on the Size, Duration and Type of Grant

Having made the choice of how to identify the potential grantee organizations, the foundation has to face other issues such as the size of grant, the grant period and the type of grant (core support grant, planning grant, program or project grant, individual grant or endowment grant). These decisions clearly relate both to the aims of the grant, the stage of development of the grantee organization and the resources available.

Most foundations determine a range of sizes of grant. The range depends on such factors as the number of grantees/partners the foundation wishes to work with and the resources available. Creative strategies have been developed by some foundations to leverage their resources through matching requirements. Where the matches are requested from the local organization or community, they serve to demonstrate local commitment and "buy-in" and can help to ensure sustainability. Where the grantee is asked to raise matching funds from other donors, corporate or private, matches act as a way to maximize the foundation's resources and move toward increased sustainability.

With regard to the grant period, foundations have to ensure that the resources being granted and the time period are sufficient to accomplish the aims of the project or program. Where the grant is for a specific period and is non-renewable, the foundation makes this clear at the time of approval to avoid any misunderstanding or false expectations. In some cases supplemental grants are made. It is important that conditions for approving these are made clear. Where the foundation is seeking to build and strengthen organizations, particularly at the community level, there are considerable advantages in providing multi-year grants.

Foundations frequently face the issue of whether to provide core support, or institutional, support (as opposed to project or program support) to grantee organizations. Where the organization's long-term survival is seen as critical to the long-term capacity in a given field, or institutional strengthening is the goal of the foundation's program, then core support is often provided. This is the major strategy used by Social Change Assistance Trust, South Africa to achieve its goal of community empowerment (discussed in Chapter 6).

Institutional support can be in the form of an annual or multi-year grant or an endowment grant. FES (Foundation for Higher Education, Colombia) has designed an innovative approach to providing endowment grants to NGOs that are able to meet a matching requirement. These endowments provide a sustainable source of income for organizations playing a key role in specific fields of interest to the foundation. This is an excellent way of supporting the creation of capacity in other organizations to work on solutions to specific social problems.

In requesting proposals foundations frequently delineate those budget items it will not support. For example, a foundation supporting a small grants program and

wanting to ensure that the resources are directly applied to specific projects at the village level may well decide not to support budget items such as the purchase of vehicles and buildings.

### Summary Points

*The method of selecting grantees/partners will be determined by the program objectives.* If the foundation wishes to cast the net widely in identifying potential grantees working in a specific field then an RFP is an appropriate mechanism. It has the advantage of giving visibility to the foundation and providing a clear indication of an open and transparent process. If the RFP is widely disseminated It may also result in proposals from organizations that otherwise would not be noticed. It needs to be recognized however that it can be a slow and expensive process depending on the size of the potential universe and whether site visits and meetings of special selection panels are required. RFPs should clearly describe the type of organization that can apply for grants, other criteria, the type of budget items to be supported and the nature and length of the review process.

*Where the potential pool of grantee organizations to perform specific tasks or roles is small, the foundation may select them without a competitive process.* If the objective of the foundation is very specific, such as to build expertise in a given area, encourage the development of increased corporate citizenship, build a multi-stakeholder partnership or facilitate the creation of an NGO network, the potential pool of grantees may be too small to warrant an RFP. In those cases the Foundation will be proactive in identifying grantee organizations with the capacity to carry out the required tasks. In either mechanism the foundation has to take care to avoid any hint of favoritism that might damage its credibility. It also has to have clear and consistent policies on what the foundation will and what it will not support in terms of field of activity and type of support (such as the purchase of capital equipment). Such clear statements can reduce the number of proposals that cannot be supported or need to be rewritten.

*Careful consideration needs to be given to the type, size and duration of grants.*

Foundations need to ensure that grantees are given sufficient funds, time and resources of the appropriate type to complete the activity or project being supported. The relative merits of institutional support grants versus project grants, short-term versus long-term grants and one-year versus multi-year grants need to be carefully considered in terms of the program objectives being pursued. In many cases a foundation program will simultaneously require a mix of different types of grants to different institutions.

*Where the foundation is developing the capacity of a sector, endowment grants to carefully selected organizations may prove to be an effective approach.* Endowment grants to organizations can play a critical role in strengthening nonprofit organizations for which a long-term role is envisaged. The case of FES highlights the important role challenge grants can make in building permanent endowments for nonprofits, thereby supporting their sustainability.

## Example 1

Request For Proposals—RFP  
*Vamos Foundation (Mexico)*

The Vamos Foundation has a number of grantmaking programs. In the program described here, Vamos negotiated funding from a private foundation in the United States (The Daniele Agostino Foundation), for a grant program supporting micro-projects that benefit and directly involve indigenous women and children in two of the poorest Mexican states, Chiapas and Oaxaca. The program, which began in 1997, was seen as a critical element in an overall strategy of supporting the economic empowerment of local indigenous communities and assisting the institutional development of support organizations. Other complementary programs included a rural credit initiative in partnership with government banks, and work at the policy level to build partnerships between civil society and the government.

Vamos reached out to the target groups by publishing a request for proposals. The RFP was distributed widely through NGO networks and peoples' organizations (most of the staff and board of Vamos come from these networks). The program was designed to support innovative projects at the grassroots level that could have a direct impact on the wellbeing of women and children. The methodology and lessons learned from these experiences would then be shared to encourage replication in other communities.

As a strategy to ensure resources would go directly to the grassroots, proposals had to be presented by groups at the community level. In order to increase the likelihood of success, however, groups were required to obtain a commitment of administrative and technical assistance from a support organization. The Foundation decided to fix a maximum size of grant at around US\$5,000 (the maximum grant of 50,000 Mexican pesos fluctuated between US\$5,000 to US\$6,000 during the period of this program). Vamos believed this amount was large enough to have an impact, while at the same time allowing the modest initial fund to benefit at least twenty projects.

Vamos also accompanied its grants with limited technical assistance. All projects recommended by the advisory committee were visited by Vamos staff during which agreement was reached on specific goals and targets and the budget finalized prior to the signing of a contract.

The excerpts from Vamos second RFP below describes the criteria for proposal presentation followed by specific information required.

**Criteria****Proposals need to:**

- Be presented by community organizations and groups
- Have guaranteed technical and advisory support
- Support productive projects with impact in the communities, that are economically viable and produce sustainable benefits and respond to social needs
- Show respect for and strengthen the environment, traditions and cultural values
- Demonstrate strict financial control so as to ensure the optimum use of the available resources

### Information to be Included in the Proposal

1. General Information
  2. Title of the Project
  3. General information on the organization. (Name of group, legal status and to which indigenous culture or language group do they belong)
  4. Location of the project
  5. Background
  6. How and when was the group created?
  7. What other activities has the group carried out?
- How many men and how many women have participated in the projects?
  - How are decisions made?
  - What has the group achieved and what difficulties has it faced?
  - What other plans and projects is the group carrying out or intend to carry out?
  - Names of those responsible: President, Coordinator or Director of the organization or group and Project Coordinator and Treasurer

### Presentation of the proposal

- What are the most pressing needs of the communities where the projects will be carried out?
- What is the major need the project will address?
- What does the project consist of? Why are you carrying it out?

### Actions Proposed

- What actions will be taken by the group to implement the project, what is the time frame, and what resources are needed?

Actions	When	Who	What is Required

### Resources for the Project

- What materials and resources will you use from the region?
- What will be your contribution of materials and resources?
- What resources are you requesting?

### Project Aims

This section requests information on number and type of beneficiary, the type of products to be produced, and the methods for monitoring and evaluation and sharing results.

### Budget

- Has the group presented the proposal to other institutions? What was the response?
- Specify the amount of funds being provided by other institutions, foundations and individual donors
- What costs are you requesting from Vamos?

What is Required	Cost	Sources
		The Group
		Other
		Vamos

- Does the group have a bank account? If so, include location and account number
- If the project involves a revolving loan fund describe the terms for loan repayment and the system for managing the resources
- If you are managing projects with other funds, include general and financial information on those funds. [Though it was not specified in the RFP as a requirement it was expected that the community would provide both financial and material input to the project as a community "match." This was seen as an indicator of commitment to the project.]

#### Annex

Include a letter from those providing the technical and administrative support, specifying their role and commitment to the project being presented.

#### *Procedures for Reviewing Proposals*

Those organizations presenting proposals were informed of the deadlines for submission. The Foundation staff and an honorary selection committee of thematic and regional specialists were charged with reviewing proposals and making recommendations on projects to be funded. Where applicant communities were not known by members of the honorary selection committee visits were made by staff to the projects. This first hand knowledge is a critical element in the selection process. These recommendations were then presented to the Board and to the Danielle Agostino Foundation for final approval.

#### Example 2

##### Challenge Grants

##### *Puerto Rico Community Foundation*

The Puerto Rico Community Foundation (PRCF) has developed a range of grantmaking mechanisms ranging from mini-grants to larger strategic grants. One that has been successful has been the use of carefully targeted grants in a specific field of high priority to the Foundation. Using this method PRCF has catalyzed the creation of new institutions and programs, in some cases making use of challenge grants to leverage major sources of funding. This was particularly useful in the early days of the foundation, enabling it to have major impact with relatively modest grants.

A feasibility study conducted between 1983 and 1985 for the Puerto Rico Community Foundation recommended that it "start big."<sup>27</sup> A 1994 review of PRCF's history discusses the very first grant awarded by PRCF, which perhaps prefigured both the future success of PRCF and its modus operandi, for its recipient has enjoyed similar success and the grant format then used has been repeated often:

A \$70,000 challenge grant was awarded to the Center of Energy and Environmental Research to provide seed money for the establishment of an Industry/University Research Center. The original request was for \$214,000, but the Foundation restructured the proposal, limiting its contribution to \$70,000 and requiring that this be matched on a two-to-one basis by others. In response, the University of Puerto Rico assigned slightly more than \$80,000 in in-kind services to the new organization, the National Science Foundation gave \$70,000 and several pharmaceutical companies jointly contributed another \$70,000.<sup>28</sup>

The formula worked. The Industry/University Research Center, or INDUNIV as the pharmaceutical industry-oriented research center is now called, has thrived and is now itself a grantmaking institution, having sponsored applied research to the tune of more than \$1,500,000. It was able to compete for resources from a research fund created with the income from a special tax on US pharmaceutical companies operating in Puerto Rico and managed by a Science and Technology Board. Apart from a second year supplemental grant of \$35,000 it has not required any further grants from the PRCF. What is more impressive yet is the fact that INDUNIV has served as the model for three other similar organizations, one serving the electronic industry, another the infrastructure and construction sector, and the third the biotechnology sector.

The review of PRCF's history goes on to give information on three other grants approved at its first grantmaking meeting and sums up:

All [grants] had in common one key element: they were not intended as a temporary remedy of a problem, but aimed at establishing a base from which to develop further positive action by others, with or without continuing support from the PRCF itself. This philosophy would continue to guide the foundation in its grantmaking decisions.

In these first four projects, the PRCF addressed four of the seven basic areas of primary interest it had identified: economic development, science and technology innovation, employment, criminal justice, health, education, and the arts. These seven areas of primary interest would later be consolidated under six titles, with economic development absorbing both employment and science and technology innovation and with community development added to the resulting five areas.<sup>29</sup>

### Example 3

#### Endowment Grants

##### *Foundation for Higher Education (Colombia)*

#### *Challenge Endowment Grants for NGOs*

The Foundation for Higher Education (FES) worked to build permanent institutional capacity in the nonprofit sector through an innovative grantmaking approach of assisting organizations to build endowments. This became an important component of its efforts to strengthen the role of civil society organizations in the planning and implementation of social development and the provision of social welfare and community services.

FES, which worked since the early 1970s to build the institutional capacity of NGOs, realized that a critical impediment to institutional development was the lack

of a dependable flow of funds to cover their core costs. To address this need, it developed a program to help NGOs establish permanent matching funds (or endowment funds). Initiated in 1977, the program complemented other services FES provided to the NGO sector, such as training courses on strategic planning, fundraising, managerial skills, and project analysis. Permanent Endowment Funds are described as follows:

Most of them [Permanent Endowment Funds] are constituted with economic resources donated for a specific objective, which FES matches with a 50% contribution and guarantees revenues equivalent to the market rate for fixed-term deposits plus 1%. Nearly 30% of the monthly yield of the fund is capitalized and 70% is donated periodically to the NGO. In December 1998, there were more than 400 Funds with a capital of nearly US\$30 million. The donations from these funds amounted to approximately US\$7 million in 1998. The funds are one of the most important components of the Foundation's capital assets and the main source of its donations.<sup>30</sup>

To qualify to receive a matching grant for an endowment the nonprofit organization has to work in one of the following areas related to the mission of FES: "social welfare or community service, scientific or technological research, conservation of natural resources and sustainable development, human resource development, training and scholarships, universities and education centers, programs to increase family income."<sup>31</sup> The initial fund can be donated by a nonprofit organization, a business or an individual. The beneficiary of the fund must be a nonprofit organization or an individual in the case of a scholarship fund. Each of the funds is administered by a joint committee of representatives of the donor or the recipient NGO and FES. The permanent matching funds are owned by FES. However, FES does not intervene in the decision-making process or in the day-to-day activities financed by a particular fund. The beneficiaries of the funds can request technical assistance from FES staff for social development and evaluation.

These funds fulfill two roles: first they ensure that the NGO has permanent income to cover at least a part of its core costs, thus affording it some institutional stability; second they serve to increase the FES portfolio which is managed by its own financial enterprises. The larger the portfolio under FES management, the more earnings can be generated and channeled as grants to social development programs. These matching funds contributed to the financial strength of the nonprofit sector in Colombia.

Key factors in the success of the matching endowment grant program:

- FES was a large foundation with a reputation for the sound management of its own endowment funds
- The funds complemented its objective to support the institutional development of nonprofit organizations
- It had its own investment banking companies
- The legal environment in Colombia allowed FES to register as a financial company

## Example 4

A Fellowship Program  
*Child Relief and You—CRY (India)*

*A Fellowship Program for Leaders Working with Children*

As a complement to its program of grants to organizations addressing child survival problems throughout India, Child Relief and You (CRY) introduced the CRY-Rippan Kapur Fellowship Program in honor of its late founder Rippan Kapur, in 1994. The fellowships provide support to individuals working with underprivileged children. The program brochure describes the program as follows:

Any individual can make a difference in the lives of underprivileged children. CRY too was started by an individual, Rippan Kapur. In 1979 he and six friends pooled Rs.50 each, and registered CRY as a charitable trust...Rippan believed that individuals could make a difference simply by caring enough and taking action. It is a belief that is the essence of CRY's work and, we believe, the key to overcoming any unjust action.

The Fellowship will be given to individuals who have a fairly clear idea of what they want to work on, who are ready to start their work, or have already begun in a small way and need personal financial security to give all their time to their mission. All the CRY offices will receive and scrutinize interest forms filled in by potential candidates, and an independent selection team will decide on persons to be awarded the fellowship...

Any interested individual can write to the CRY Fellowship Coordinator or any CRY Regional Office with the following brief information:

- 1) A brief write-up on the proposed area of work and its objectives
- 2) A summary of the action plan initiated or to be initiated
- 3) A note on their present work status and why they need the fellowship

The response to the fellowship program has been overwhelming. The program has helped 80 individuals take concrete action to materialize their dreams for deprived children. They included grassroots-level activists, professional social workers, doctors, journalists, people from folk arts, educationalist's and many others who otherwise would never have found a means of realizing their dreams for a better world for children. In the last five years, of a total of 80 fellows supported by CRY, 10 have moved on to create permanent organizations addressing children's issues and rights. The program has also been instrumental in adding new dimensions to the aspect of child development activities.

[The fellowship program has become a critical element in a mix of grants supporting work with children in need]. The mix of grantmaking includes support to voluntary organizations, resource organizations and support to state level and national networks on children's issues, apart from the fellowship program.<sup>32</sup>

## References

<sup>27</sup> Maldonado, Alex, W. *Feasibility Study for a Puerto Rico Community Foundation*. 1985.

<sup>28</sup> PRCF, Review of program. Internal document, 1994.

<sup>29</sup> *Ibid.*

<sup>30</sup> FES, *Facts about FES Foundation*. 1995.

<sup>31</sup> *Ibid.*

<sup>32</sup> Child Relief and You. Internal document. Undated.