

The Synergos Institute

Aligning Grantmaking with Partnership

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Why Partnership Now?

Foundations are increasingly espousing partnership goals with the recipients of their grants. As MacArthur Foundation President Adele Simmons puts it “A grant-making foundation can pursue its mission only through partnership.”¹ Effective examples range from the MacArthur’s support for Public/Private Ventures, an initiative in five U.S. cities help the urban poor find jobs² to the cooperation fostered by South Africa’s Social Change Assistance Trust’s Northern Cape Partnership Programme which involves local businesses, government, community groups and the U.S. Agency for International Development.³

There are numerous reasons for this interest in partnership. One is growing recognition that partnerships can achieve more sustainable results than other types of initiatives.⁴ Another is the widespread conviction that people in need must be central actors in solving the problems they face and finding ways to advance their own development.

At a pragmatic level, foundations recognize that their resources alone are insufficient to achieve the tasks they wish to see accomplished, so collaboration and partnership are essential. In the US foundations provide only 2% of total funding for the nonprofit sector. The sector devotes about 10% of its total expenditures to social services. Foundations provide only 4% of this. By way of comparison, government grants and contracts provide 51% of funding for nonprofit social services,⁵ in addition to financing programs that governments administer themselves. Clearly, to have a meaningful impact on the broad range of problems the world faces today, foundations must leverage their limited funding with the actions and financial resources of other actors.

Yet despite the pervasive rhetoric of partnership, foundations’ grantmaking practices have often been criticized for their insensitivity to the perspectives and needs of recipients.⁶

Unfortunately, the very nature of the philanthropic relationship tends toward donor dominance. Unlike other relationships, such as commerce or electoral systems, which are more demand-led in the sense that the buyer or voter can directly influence the seller or candidate with money or votes, the currency of philanthropy is an appeal for support by a “grantseeker.” Such appeals are much less compelling than money or votes — they can be refused by grantmakers with no “direct negative material consequence for the grantmakers.”⁷

All too-often grantmaking institutions display a dominant stance with their recipient, which undermines the building of genuine and effective partnerships between the foundations and their grantees. In order to reach their partnership objectives, foundations need to review their grantmaking approaches and adopt practices that fully support building partnerships.

The fundamental challenge is to replace practices that create dependency and clientism with those that enable an equitable relationship between essentially unequal actors, in this case, a donor and a recipient.

¹ The John D. and Catherine T. MacArthur Foundation. *The Work Ahead: New Guidelines for Grantmaking*. Chicago, 1998.

² The John D. and Catherine T. MacArthur Foundation. *Report on Activities 1997*. Chicago.

³ Draimin, Tim and Ian Smillie. *Strengthening Civil Society: The Role of Southern Foundations*. New York: The Synergos Institute, forthcoming.

⁴ See, for example Schearer, S. Bruce and Jon Friedland. *Building Development Projects in Partnership with NGOs and Communities: An Action Agenda for Government Policymakers and Donors*. New York: United Nations Development Programme, 1993; and Jones, Ronald F. *Choosing Partnership: The Evolution of the Katalysis Model*. Stockton, CA: Katalysis, 1993.

⁵ Salamon, Lester M., Helmut K. Anheier, Wojciech Sokolowski and associates. *The Emerging Sector: A Statistical Supplement*. Baltimore: The Johns Hopkins University Institute for Policy Studies, 1996.

⁶ See for example, “Community Foundations and Citizen Empowerment: NOT!” *Responsive Philanthropy*, Spring 1995; and Mannion, Geri. “Are You Arrogant?” *Foundation News & Commentary*, July/August 1997.

⁷ Ostrander, Susan A. and Paul G. Schervish. “Giving and Getting: Philanthropy as a Social Relation.” In Van Til, Jon (ed). *Critical Issues in American Philanthropy*. San Francisco: Jossey-Bass Publishers, 1990.

Table: Models of the Grantmaker/Recipient Relationship

Clientist Models	Rich Patron and Needy Client Caregiver and Infirm Strategist/Expert and the Project Manager
Marketplace Models	Buyer and Seller Financing Agent and Finance User Contractor and Contractee
Collaborative Models	Joint Venture Strategic Alliance/ Partnership Social Movement

Models of Grantmaking Relationships

To identify the best practices to equitable grantmaking, it is helpful to create some diverse mental models of the grantmaker recipient relationship, as shown in the table above entitled Models of the Grantmaker/ Recipient Relationship.

Clientist Models

The first category visualizes philanthropy as a form of charity. Unfortunately, although the charity impulse is much weaker in contemporary philanthropy than it was in the past, some elements of the charity approach persist even in the most sophisticated grantmaking institutions today because of their deep-rootedness in the philanthropic culture.

For example, some donors see themselves as wealthy patrons of poor and needy groups who are the recipients of their largesse. In this “Rich Patron and Needy Client” relationship, the recipients’ needs for the funds make them deeply dependent on the donor, often to the extent that they must conduct their actions to please

the donor. This kind of grantmaking is sometimes driven by the donor’s guilt or by the satisfaction of meeting their noblesse obligations. In either case, the recipient is treated like a dependent object rather than an independent or equal actor.

In the *Caregiver and Infirm* model, it is the disability of the recipient and the capacity of the donor to address the disability that defines the relationship. The donor’s action grows out of a motivation to correct or overcome deficiencies in the recipient, and as such it is fundamentally disempowering for the recipient.

Finally, perhaps still most prevalent in today’s prevailing philanthropic practices is the *Strategist/Expert and Project Manager* model. Here the grantmaker acts as the source of wisdom and decision-making, while the recipient is viewed mainly as playing an implementor role in carrying out the project or activity. This is disempowering because the donor acts not only as a source of funding and knowledge, but also the goal-setter. To be sure, experienced donors who have seen many successful projects can bring important perspectives to a donee’s activities. But relationships built around the donor as the dominant source of knowledge and initiative are likely to undercut the self-reliant action that the

donor ultimately hopes will result from its grantmaking. A report from the Kettering Foundation, based on interviews with 25 leaders of grantseeking nonprofit organizations around the U.S., reports that this approach:

...frustrates community organizations that say the foundations' diagnoses and prescriptions are not only too often off the mark, but the foundations are unwilling to make the effort to understand how communities actually work. A one-size-all approach to grant making boxes communities in.⁸

All of these clientist models are essentially driven by differences in power being exploited by the stronger party in favor of their objectives. Consequently, they all undermine genuine partnership and must be seen as models of "poor practices" in grantmaking.

Marketplace Models

A second category of mental models of the grantmaking relationship can be visualized as different types of market transactions. In principle, such marketplace models don't necessitate dependency and are therefore "neutral" with respect to partnership. Which of these models a donor might select would depend on their values and world-view as well as their purposes.

In the *Buyer and Seller* model, the buyer is a grantmaking foundation with money it wants or needs to distribute. The seller is a nonprofit organization with a project it wants money to carry out. The buyer "goes shopping" — i.e., develops guidelines and solicits proposals. The seller gathers information on what the buyer wants and then makes a "sales pitch" for a grant. In its pure form, this is a neutral transaction in which the "seller" (the grant-seeker) freely moves from buyer to buyer until finding one that "buys" (funds) the grantseeker's proposal.

For this model to work, there has to be a real marketplace of buyers and sellers — that is an adequate supply of each, and particularly of buyers (foundations with grant money to spend). Furthermore, both parties need

to understand clearly that they are relating to each other as participants in this marketplace, not through some other type of relationship.

In the *Financing Agent-Finance User* model, the buyer and seller roles are reversed. The foundation is the "seller" of and loans for specific activities the foundation wants to see carried out. The foundation has some amount of financing that it wishes to use to ensure that some particular activity be performed. In this case, the supply of grant funds typically exceeds the demand for these funds, and so the grantmaking foundation actively needs to market its grant program to attract potential clients who will then submit applications to receive the funding. The applicant is the "buyer" who needs financing but may or may not be interested in carrying out the activities defined by the seller.

This model is useful when a foundation wants to be proactive in a well-defined area of work. It functions well when foundations issue requests-for-proposals (RFPs) that clearly spell out their interests and conditions for the funding, when they let the "buyers" know that only a limited amount of these funds will be available on a competitive basis, and when they announce the results of their selection process.

In the *Contract-Contractee* model, the relationship is essentially commercial — the foundation specifies precisely what activities it wants and negotiates a "price", i.e. grant or contract amount, with the recipient, and the recipient carries out the activity and reports the results to the foundation. This model is well-suited for specific projects or tasks a foundation wants to see accomplished. This is a model often used by operating foundations, which are not reluctant to issue actual contracts. Other kinds of foundations usually prefer to provide the funds in the form of grants to recipients who agree to conduct the specified activity.

For this model to avoid clientism, competitive open bidding for well-defined activities and products is best. Where this is not possible, open discussion with potential recipient about the foundation's purposes would be critical. It would also be important to spell out any con-

⁸ Scully, Patrick L. and Richard C. Harwood. *Strategies for Civil Investing: Foundations and Community-Building*. Dayton, OH: Kettering Foundation, 1997.

ditions and to be clear about each party's role.

These three *marketplace models* have the advantages of efficiency. When well-executed, they represent best practices by:

- connecting limited funding with the most compelling programs;
- avoiding favoritism by the grantmakers for certain applicants; and
- minimizing dependency of the recipient on the donor.

However, they are essentially bloodless with respect to any social commitment or the building of social capital between the grantmaker and the recipient. They are neutral tools to enable the foundation to meet its grantmaking objectives without creating an inequitable relationship with its grantees. As Pablo Eisenberg of the Center for Community Change puts it, "[this is a] premise that says 'Do it my way or not at all'...."

Collaborative Models

Grantmaking and recipients collaborating in a mutually respectful and equitable relationship is the goal of most contemporary philanthropy. This kind of grantmaking is most conducive to partnership creating, but, as the following three mental models illustrate, such collaboration need not entail full partnership.

The simplest *collaborative model* can be visualized as a Joint Venture model. Here the grantmaker and the grant recipient define the action mutually. This model is based on both marketplace interests and on solidarity interests. It requires adoption of at least the first four basic elements of a partnership relationship noted below to be successful. The outcome is a limited undertaking in which the donor and recipient seek to achieve a joint objective using grant funds from the donor and implementational actions from the recipient.

The *Strategic Alliance/Partnership* model is similar to the Joint Venture model, but implies a longer time

frame and more complex set of goals for which the two parties — grantmaker and recipient — believe that their relative strengths — funding and programming — should be combined. This long-term collaborative effort to achieve multiple goals usually requires genuine partnership. As Michael Maude, president of Partners in Philanthropy put it while writing from the perspective of a fundseeker: "What enables us to form partnerships with donors is our mutual concerns for the mission of our institutions. It is our shared dreams and goals, our common values which allow us to transcend our different to join in our pursuit to make this a better world for us all. When we hold the mission foremost in mind, sharing or collaboration becomes natural."⁹ The section below examines more deeply the essential elements of partnerships.

The *Social Movement* model can be visualized as grantmaking that goes beyond collaboration into the realm of mutual commitment by the grantmaker and the recipient to an ongoing, deeply felt cause. In this model, the two parties interact more as jointly engaged adherents than as equal-but-independent partners. Any distinction in the goals and purposes of each become blurred in the shared devotion to achieving the common goal. The grantmaker's role may be expanded to mobilizing additional resources as well providing its own, and the recipient might even play an active, direct role in setting the grantmaker's policies and procedures.

⁹ Maude, Michael R. "On Partnership." *Fundraising Management*, Vol. 29, No. 5 (July 1998).

Some Basic Elements of Partnership

Too often, both grantmakers and grant recipients employ the term “partnership” to describe a casual, informal relationship that is mutually supportive. But genuine partnership of the kind that achieves substantial goals and objectives is more demanding. This section, drawn from The Synergos Institute’s twelve years of studying and working in partnerships, sets forth eight ingredients for effective partnership.

Voluntary Participation

Partners can not be forced to engage in or remain in a partnership. Each party must be free to enter or leave a partnership without coercion. This condition implies that each partner has a choice of whom they want to do business with or of choosing not to do business. This, in turn, requires the presence of a marketplace of non-profit goods and services that permit actors to find alternative sources of financing. If an actor’s continued existence is at stake if they reject participation in the partnership, their choice is essentially forced, and genuine partnership is not feasible under such conditions.

Mutual Respect

Partnership is undergirded by the conviction that all the parties are essential to a successful solution to the problem being addressed — otherwise, why engage in a partnership? In other words, partnership is predicated on an acceptance of the principle that every actor’s perspective has value and is needed to develop effective outcomes.

This, in turn, requires that each partner fully understand and respect the strengths, capacities and constraints of the other actors in the partnership. Colin Campbell, President of the Rockefeller Brothers Fund states:

[A] worthy feature of partnership is that it is based on strengths, rather than weaknesses or deficits...When strength is defined this broadly,

it becomes clear that the partner who happens to have the money is not the only strong one, and that all parties to a partnership are in need of something another party provides.¹⁰

Common Goals

Partners may differ in their perspectives and self-interests and even in their values, but they need to share common goals that form the essential “glue” for their working together. Often, this is not as straightforward as it seems; the partners need to share common definitions of what constitutes success in reaching these goals. But coming to specific agreements about indicators for successful achievement of the goals is essential.

Transparency

In partnerships between actors with unequal power, the parties must be careful to avoid behavior that might lead other parties to think they are being exploited. For this reason, open, transparent relationships between the partners is crucial. Such transparency requires explicit communication between the parties about their motives, interests, objectives, strategies, plans and relationships with other actors both within and outside the partnership. It also requires individual participants — such as foundation program officers and nonprofit leaders — to be frank about the extent of their power to make decisions for their organizations.

Trust

Partnership is useful because it permits the attainment of goals that the parties could not reach on their own. Partners who distrust each other are very unlikely to achieve such synergy, especially on complex or long-term mutual undertakings because their capacity to work effectively together will be undermined. For partners to trust each other, they need to respect each other, share deeply held goals, relate openly to each other, and to build first-hand experience that they can rely on the word and deed of the other.

¹⁰ Campbell, Colin G. “Forging Partnerships Among Diverse Interests.” (Remarks at the Asia Pacific Philanthropy Consortium International Conference *Supporting the Nonprofit Sector in Asia*, Bangkok Thailand, January 11, 1998.

Acceptance of Conflict

Parties with differing interests are likely sometimes to find themselves in conflict about the attainment of objectives. When the open expression of such underlying conflict is suppressed, it is very difficult to come to effective resolution of these conflicts. This undermines the successful implementation of the partnership. The parties in a partnership need to agree at the outset to accept their differences and to accept disagreement and conflict as healthy, often inevitable elements of their partnership. They need to agree to use such conflict to deepen their mutual understanding. Conflict can be an effective tool to find new solutions that will enable collaboration to continue and not be derailed by differences. Partners need to establish at the outset norms and procedures for handling conflicts when they do arise.

Equality and Consensus

While the parties may be unequal outside the partnership, within it they must act as equals. No single party can control or be in charge of the partnership. Even more fundamentally, no partner or group of partners can control the decision-making. Decisions need to be jointly agreed upon in a partnership. If one party possess veto power, all must possess this power. In the end, while any group can take leadership, decisions need to be taken consensually. Procedures for this need to be spelled out and agreed upon at the outset of a partnership.

Partnership Processes

All the elements of partnership are built out of an ongoing enactment of partnership behavior of the part of each of the parties. Since this is often different than the customary behavior of the various actors, it is helpful, perhaps even essential, to specify partnership processes and procedures at the outset. This is particularly important with regard to the areas of decision making, conflict management, resource allocation, and evaluation, but it is also extremely helpful in such operational

areas as procedures for conduct of meetings and publicity and the taking of credit and relations with external actors. One particularly crucial area for agreed-upon processes is the establishment of end-points. Each of the parties needs to be able to exit the partnership with dignity, and the procedures and mutually acceptable endpoints within the life of the partnership should be agreed to explicitly in advance.

Is There Really a Marketplace of Grantmakers and Grant Recipients?

For any of the “best practice” models, whether marketplace or cooperative, to work, there must be a marketplace — a broad set of grantmakers and grantseekers. In fact, such a marketplace does appear to exist in most parts of the world. The US, with over 12,000 grantmaking foundations¹¹ and approximately 494,000 nonprofit organizations¹² that can seek grants, clearly meets this criteria. With important national and regional differences, so, too, do most Northern countries.

But what of Southern countries? Here evidence is growing of a well-developed body of civil society organizations that do seek grants. Research by the Johns Hopkins Comparative Nonprofit Sector Project indicates that in five Latin American countries (Argentina, Brazil, Colombia, Peru and Mexico) the nonprofit sector comprise a small but significant portion of total paid national employment, at over 2%.¹³ Using data from four countries (Brazil, Bolivia, Colombia and the Dominican Republic), Synergos estimates the existence of over 1 million private nonprofit organizations in Latin America and the Caribbean.¹⁴ Data emerging from other parts of the world support the view of the nonprofit sector as a significant part of national life in most countries.

At the same time, grantmaking and philanthropy appear to be increasing in Southern countries as well. As part of The Synergos Institute’s program to strengthen grantmaking foundations in Southern countries, we are conducting surveys of grantmaking foundations and have identified over 210 such organizations in four dozen countries. In all likelihood upwards of a thousand such organizations exist in Southern countries around the world.

Moreover, there is growing interest among foundations and nonprofit groups in these countries in strengthening philanthropy and grantmaking, as evidenced by the emergence of grantmakers’ associations and philanthropy centers such as the Mexican Center for

Philanthropy, the Institute for the Development of Philanthropy in Puerto Rico, the Southern African Grantmakers Association, the Group of Institutions, Philanthropies and Enterprises in Brazil, the Association of Foundations and League of Corporate Foundations in the Philippines, and numerous others.

¹¹ Feczko, Margaret (ed). *The Foundation Directory Part 2*. New York: The Foundation Center, 1996.

¹² Hodgkinson, Virginia Ann, Murray S. Weitzman et al. *Nonprofit Almanac 1996-1997: Dimensions of the Independent Sector*. San Francisco: Jossey-Bass Publishers, 1996.

¹³ Salamon, Lester M., Helmut K. Anheier and Associates. *The Emerging Sector Revisited: A Summary*. Baltimore: The Johns Hopkins University Institute for Policy Studies, 1998.

¹⁴ Schearer, S. Bruce and John Tomlinson. *The Emerging Nature of Civil Society in Latin America and the Caribbean: An Overview*. New York: The Synergos Institute, 1997.

Special Challenges for Northern Foundations

The Foundation Center in the U.S., reporting on trends in international grantmaking wrote:

The explosion of NGOs and the development of (overseas) indigenous funding organizations signals a new chapter in international grantmaking, a new modus operandi. No longer are local communities content to be passive recipients of philanthropy. Instead they see themselves as partners in development. More and more they are demanding greater local control over the decision-making process — how needs are defined, how funds are spent, and who benefits.¹⁵

The emergence of civil society in Southern countries offers tremendous opportunities for Northern foundations to have an impact in those countries. But such long-distance grantmaking presents special challenges as well.

Far Away Locations, Cultures, Expectations

The geographic distance between the office of a Northern foundation and the nonprofit applicants in most Southern countries often makes face-to-face grantmaking impossible. Unless the foundation maintains a local office and staff, even if a foundation's staff can take the time to visit potential and current grantees, they are unlikely to possess sufficient knowledge of local cultures or to be able to reach all the groups which might fruitfully apply for support.

Many Small Actors and Big Power Differences

Civil society in most Southern countries encompasses not only the more professional NGOs which most observers are familiar with but tens of thousands of grassroots groups. Such grassroots groups often have substantial impact on their own communities, but tend

to be small, underfinanced and unable to field proposals to foreign donors. In this environment Northern foundations, dealing with small actors from afar find it impossible to overcome the inherent disparity in power.

Poorly Developed Grantmaking Processes

Schedules for the submission of grant applications and disbursement of funds may not suit local activities, materials may be too complex, confusing or in the “wrong” language, and decisions on who to fund may be made by people unfamiliar with local need and capacities. Only a handful of the largest Northern Foundations and other private funding agencies have the capacity to overcome many of these challenges by building strong local relationships in Southern countries through local offices, often staffed with nationals of the country or expatriates with strong local experience.

Legal Barriers

Northern foundations typically operate under strict regulations about the type of organizations they can fund. In the case of the US, most foundation grants are private, nonprofit organization registered with the government as “public charities.” Providing funding to organizations not registered as public charities with the US government requires the foundation to either demonstrate that the grant recipient is “equivalent” to a US public charity or to exercise what is called “expenditure responsibility.”¹⁶ Similar requirements exist for other countries and while they serve as important safeguards to ensure charitable use of foundation assets, they also represent a significant obstacle for Northern foundations to give grants to Southern organizations.

North-South Grantmaking Partnerships

Northern foundations without the capacity to open in countries abroad are discovering they can form partnerships with Southern grantmaking foundations. The two parties define grantmaking interests and priorities, and each contribute resources. The Southern partner publi-

¹⁵ The Foundation Center in Cooperation with the Council on Foundations. *International Grantmaking: A Report on U.S. Foundation Trends*. New York, 1997.

¹⁶ Edie, John A. *Beyond our Borders: A Guide to Making Grants Outside the U.S.* Washington: Council on Foundations, 1994.

cizes the grantmaking program, collects proposals and administers grants, thus providing the relevant local expertise and grantmaking capacities. The degree of involvement of the Northern partner in deciding on specific grant requests varies, with some Northern donors playing an active role and others ceding decision-making to the Southern foundation.

In these partnerships, The Northern foundation typically contributes a larger share of the grant resources than the Southern partner. The principles of partnership used in describing grantmaker-recipient relationships above therefore apply to the relations between the Northern and Southern donors. The shared aims of the two parties — to effectively channel resources to people and groups in need — and the fact that both are donors with well-developed administrative capacity help to make building partnerships less difficult.

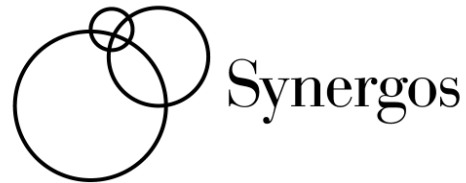
Such partnerships also provide both parties — Northern and Southern — the opportunity for profound learning. “[F]or better or worse, partnership exposed some of the intimate details of each participant’s organizational culture and style. But partnerships are intrinsically educational in another sense as well. The process of identifying shared values and concerns and negotiating shared responsibilities is by its very nature instructive, an antidote to exclusionary, narrow ways of thinking and operating.”¹⁷

North-South grantmaking partnerships have gone a step further in instances where Northern foundations help create and strengthen grantmaking foundations who can become peer institutions in Southern countries. As Susan Berresford of the Ford Foundation said in explaining the rationale behind her foundation’s support for the creation of the Puerto Rico Community Foundation with which Ford was to develop strong partner relations “We had come to the conclusion that our staff could not spend enough time in Puerto Rico to know the island well enough to make good grants.”¹⁸

¹⁷ Campbell, *op cit.*

¹⁸ Arteta, Maria del C. and William Lockwood-Benet. “The Puerto Rico Community Foundation.” *The Process and Techniques of Foundation-Building: Experiences for Eight Organizations in Africa, Asia and Latin America.*

Notes



Synergos is an independent nonprofit institute that brings together diverse sectors of society to find new, more effective ways of narrowing the gap between rich and poor. With particular emphasis on countries in Africa, Asia and Latin America, Synergos strengthens the role of philanthropy and citizen leadership in social development.

Global Philanthropy Program

Private grantmaking foundations are emerging in increasing numbers around the world to mobilize resources for development and to build cooperation between different sectors of society. In collaboration with local partners in-country, Synergos provides a range of capacity-building services to strengthen these foundations and promotes organized philanthropy.

Bridging Leadership Program

Synergos and partner organizations identify and support talented leaders who bring diverse groups together to solve shared problems. This program provides training, shares experience, documents examples of bridging leadership, and assists corporations, governments and civil society to more regularly incorporate bridging approaches into their problem solving.

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