

The Funding Exchange Model of Grantmaking

By Barbara Heisler



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Philanthropy through foundations is largely defined by its honorable goals and the potential for far-reaching impact through grantmaking. In crafting each strategic plan and each time we revisit our missions and values, the end results we generally desire for our communities include justice, equality, liberty, autonomy, understanding, access, fulfillment and beyond. If we can imagine it, we can work toward it – and we set our grantmaking in motion in support of moving resources to organizations that we believe align with our goals. This has been our course, and over the last 35+ years, we've seen a phenomenal growth in foundation giving. According to the Foundation Center, in 1975, almost 22,000 foundations accounted for \$1.94 billion in annual giving; in 2009, more than 75,000 foundations contributed nearly \$43 billion. Foundation assets also have swelled – growing from \$30 billion in 1975 to more than \$680 billion in 2009.¹ Yet, in examining the field, there are only a handful of examples of extremely successful philanthropy. By and large, those lofty goals for our communities remain undone.

Funding Exchange stakeholders believe that models of grantmaking exogenous to local community leaders stymie foundation efforts to create lasting change in our society. In fact, traditional grantmaking initiatives have seen impacts far below the stated goals. Recent publications attribute the problem to funders that failed to engage grantees and other stakeholders in identifying problems and designing solutions.

In a 2008 survey conducted by *Grantmakers for Effective Organizations* that looked at the attitudes and practices of staffed grantmaking foundations in the United States, it was found that only 54 percent indicated that it is "very important" for effective grantmaking that their organizations solicit outside advice.² A similar proportion (52 percent) said it is "very important" to collaborate with external groups and organizations.³ Even with this knowledge, most funders continue to stop the engagement at the door marked "decision makers." Yet our field does have strong examples of success. Affecting real change through philanthropy has been happening across the country for more than 30 years, as evidenced by a small group of funders with a unique model of grantmaking. Inviting people who are directly involved in front-line, grassroots work to sit at the decision makers' table has been key to this success.

30+ YEARS BUT STILL UNIQUE

Funding Exchange (FEX) is a social justice foundation working toward "change, not charity" and serves as the national hub of a network of regionally-based foundations. Started over 30

years ago, FEX is charting a bright, bold future together with our loyal stakeholders and the next generation of multiracial, cross-class donor activists.

Funding Exchange, which operates as a partnership of activists and donors, began in the 1970s when small groups of donors and community organizers banded together in Boston, Philadelphia and San Francisco to find new ways to support social movements. FEX coined the phrase "change, not charity" because its architects believed in the importance of tackling the root causes of poverty and injustice. Most of the founding donors had inherited wealth, which provided the seed money to launch nearly all the community foundations in the network. FEX's goal is to provide permanent institutional support for grassroots social justice and movement-building work across the country. Today, FEX focuses on developing its network of 16 (and growing) member funds while also making grants in places not currently served by funds in the network.

ACTIVIST-ADVISED MODEL

Funding Exchange network funds pioneered a unique activist-advised model of grant making: democratizing philanthropy by handing grantmaking decisions to boards of activists that represent the diversity of the affected community. Thirty years after announcing its first round of grants, FEX's commitment to community control of grantmaking continues to be innovative and distinguishing. FEX funding panels are made up of activists who, once a year, review

relevant proposals, conduct site visits with potential grantees and recommend where the grant monies should be allocated. The Funding Exchange model has inspired some of the newer progressive foundations to model their grantmaking differently. FEX's concern for involving activists in its grantmaking has generated some of the most cutting-edge funding this country has seen.

In Boston, **Haymarket People's Fund** has been funding groups that organize or provide resources for organizing around a wide spectrum of issues since 1974. Funded groups must engage in grassroots organizing or provide resources for grassroots organizing efforts. Haymarket's guidelines speak to the values that FEX member foundations share.

Organizations must demonstrate the following characteristics:

- Having a clear strategy aimed at an equitable distribution of wealth and power.
- Building strong leadership from the group's constituency, representative of and accountable to the organization's membership.
- Engaging in an ongoing effort to develop new leadership.
- Committing to building the organization and involving previously uninvolved people.
- Demonstrating organizational capacity to successfully raise funds, manage funds, and carry out plans.
- Managing an organizing campaign or project with specific goals.

FEX funding panels ask deeper and different questions about funding proposals than most mainstream funders. They examine potential grantees' understanding of the root causes of the problems they face and of power structures and their impact. They ask what kind of racial and economic analysis informs their work and try to determine what kind of institutional or systemic change grantees are trying to create.

The Funding Exchange model of activist-advised grant making encourages potential grantee organizations to think differently about what they write in their proposals. On the web site for **Headwaters Foundation for Justice** in Minneapolis, staff write, "We remind grant-seekers that the particular committee that reads your proposal is made up of those who are also working on the front lines of change. They understand the issues. They see the hurdles. And they want to support everyone who shares the passion. Our advice is simply this – make the case for permanent, positive change."

Key to all of the FEX funds is assessing how a potential grantee is accountable to its community, going beyond tokenism. This includes asking if the group's members or constituency are the ones making all the important decisions and if the group's leadership is from the community.

The Haymarket Funding Panel, made up of community organizers and activists, is expected to make all its decisions within Haymarket's criteria and ethical guidelines, and policies developed by its board. All panel members review each proposal within reading teams to establish accountability. It is critical that each proposal is read thoroughly by more than one person. Then, the Funding Panel meets to review them. This is often referred to as the "first cuts" meeting, where Funding Panel members decide which groups to reject and which to interview. After the first cuts meeting, the Funding Panel arranges for interviews with applicant groups.

A TRANSPARENT PROCESS

Uniquely, at Haymarket, prospective grantees are not interviewed individually, as it is believed to be beneficial for multiple groups from an area, or those doing the same organizing work, to have an opportunity to come together. This is not a competitive environment but one meant to foster ties. Groups respond to

the Funding Panel's inquiries and have a chance to ask questions of one another, as well as network. This has resulted in shared work and alliance building. Indeed, following this process, the Haymarket Funding Panel has reported on instances in which grantees have asked to allocate some of their grant to another organization in support of shared work. Lastly, at a "final cuts" meeting, Funding Panel members decide which groups to fund and at what levels.

CHANGING THE POWER DYNAMICS

Since its founding in 1981, **Crossroads Fund** in Chicago has challenged the typical power dynamics of philanthropy by working with a grantmaking committee composed of community organizers and activists. Crossroads Fund's Policy Statement from 1981 states:

We intend to incorporate into our decision-making process the advice and guidance of the types of organizations we wish to fund. Thus we envision a donor-community board and a funding process, which is conducted in an open and non-hierarchical manner.

Its policies then and now explicitly foreground an understanding that the people who best understand the needs of grassroots social justice organizations are those who are themselves affected by – and working to address – grassroots social justice issues. Crossroads Fund also was unique amongst Funding Exchange member funds when it decided to include donors as well as activists in the grantmaking process (recognizing these two groups are not wholly separate), believing that building partnerships between donors and activists contributes to social change. Other FEX funds, and the Funding Exchange itself, have since adopted this practice.

Further, in the past several years, Crossroads Fund's Seed Fund grantmak-

ing committee has evolved to include colleagues from mainstream foundations in addition to activists and donors. This effort is seen as an opportunity to educate mainstream philanthropic staff about the value of the FEX grantmaking strategy and the need to support grassroots social justice organizing. Working with traditional foundations to increase their support for grassroots social change projects has been a part of Crossroads Fund's mission since its inception, and including philanthropic colleagues in its grantmaking helps to achieve this goal.

OPENING GRANTMAKING FURTHER

The August 2009 grant cycle was the last time the 29-year old **Wisconsin Community Fund** (WCF) used a community grantmaking committee. Instead, it has transitioned to a short-lived, low-bureaucracy participatory process, which repositioned WCF closer to the organizations it supports. Utilizing Technology of Participation (ToP®) and Open Space Technology methods, it aims for larger community involvement in the grantmaking process and maximizing results by leveraging more resources at once.

The Technology of Participation teaches team members how to collaborate on projects and group facilitators how to effectively lead their team, while Open Space Technology is an intentional leadership practice that highlights common ground among diverse groups of people and encourages cooperation.

WCF had been dealing with a historic power struggle between board members and the grant allocation committee for years. A deep divide existed between the core activists who conducted site visits and the board members who questioned their decisions. Each side resented the other, and key people left the organization due to the tension. One thing that everyone remaining agreed on was that they wanted to start fresh and move on. They just weren't sure how to do it.

When Jeff Streier, former WCF program coordinator, brought up the possibility of allocating funds through an Open Space Technology event, the staff immediately recognized that this solution would address everything they wanted out of their grant cycle: building solidarity, accountability and transparency; less competition among grantees; more collaboration for funding; and ultimately more effective social justice movements. In addition, involving donors more directly brought in new perspectives, resulting in increased giving and engagement with a core WCF constituency.

However, there was a significant concern that marginalized constituencies would not feel empowered to take the lead in self-organized groups. The board did all that it could to engage people from diverse communities and to address power dynamics. In the end, the board approved the idea mainly because traditional grantmaking processes were not participatory; uncomfortable power dynamics plagued the organization and everyone was simply ready for change. Figuring that no solution would be perfect, the WCF community took a chance with Open Space. To date, the community grantmaking events begin with a theme, rather than an agenda, and comprise the following questions:

- What are you passionate about in creating social justice and strong equitable communities in WI?
- What are you willing to take responsibility for?
- What other community assets and opportunities do you have, and how could you share them?
- How should we allocate our dollars?

On April 10, 2010, WCF piloted its Community Grantmaking event with a group of 23 board members, staff, donors, potential grantees and activists. In one day, these participants created grant

proposals on the spot, raised an additional \$3,000 in response to a matching challenge from a major donor during the day, and decided on grant allocations totaling \$10,000. Two-thirds of the participants in the room were activists and each group walked away with a grant.

One unique part of the day was the inclusion of a "Community Asset Bank" (posted on the wall). Participants could add expertise or services to the bank throughout the day, such as program development or lending out vans. These nonfinancial items helped groups save money that might normally come from WCF grants.

INNOVATION CONTINUES

These examples are only the beginning. Throughout the FEX network and around the country, new models of grantmaking are being developed that harness resources to strengthen partnerships between community members and donor activists, continuing to challenge the power dynamic inherent in most grantmaking paradigms.

In working to attain its goals, FEX not only employs a model of inclusive decision making, but it sees itself on equal footing with its communities and constituencies. Working together – sharing power, ideas, space, strategies and contacts – helps FEX create best practices of achieving parity in real time, and enhance efforts for change brought forward and supported more widely. ■

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Notes

1. Foundation Center, Foundation Growth and Giving Estimates, Current Outlook, 2010 Edition.
2. Grantmakers for Effective Organizations, Is Grantmaking Getting Smarter? A National Study of Philanthropic Practice, 2008.
3. Ibid.