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FROM PROJECT STREAMLINE

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## Streamlining Philanthropy's Grants System

### New Study Recommends Ways to Address Flaws in Grant Application and Reporting

#### Project Streamline Begins Field-wide Conversations

Nonprofit organizations and foundations alike are beginning to stagger under the weight of a grant application and reporting system that needs fixing, according to *Drowning in Paperwork, Distracted from Purpose*, a new report commissioned by Project Streamline, a coalition of organizations representing both grantmakers and grantseekers.

Facing what the report terms "an effectiveness paradox," foundations are beginning to discover that some measures they've adopted to ensure strategic and accountable grant making might be backfiring, resulting in a system that creates significant burdens on the time, energy and ultimate effectiveness not only of nonprofit practitioners but foundations themselves.

"The cumulative effect of countless carefully wrought Requests for Proposals, grantmaker-specific practices, mission-centered questions, and unique requirements creates a staggering burden on nonprofit grantseekers," according to the study. "It is no exaggeration to say that the current system of application and reporting has grantseekers and grantmakers alike drowning in paperwork and distracted from purpose."

At the same time, a growing number of foundations and philanthropy and nonprofit associations are searching for solutions. Project Streamline, an effort of eight of those organizations led by the Grants Managers Network, is examining grant application and reporting practices, their impact on grantseekers and grantmakers, and ways they can be improved.

"Almost every funder has a unique application and reporting process, and they're adopted for sensible and responsible reasons," said Richard Toth, Project Streamline chair and director of the Office of Proposal Management at the Robert Wood Johnson Foundation. "But the problem our research underscores is the *cumulative* effect of these measures. Imagine each set of requirements multiplied by thousands of grantmakers, and you get a sense of the gauntlet nonprofits face. We've created Project Streamline to do something about it."

The study is designed to spark new thinking and conversation within individual foundations and the field of philanthropy at large. Over the coming months, Project Streamline will solicit reader comments via a website, [www.projectstreamline.org](http://www.projectstreamline.org), and will sponsor ongoing conversations within foundations, among foundations, and between grantmakers and grantseekers about the study's findings and recommendations.

"The project grew out of the recognition that nonprofits that work with foundations often find the application and reporting requirements wasteful of their time and resources," said Sara Engelhardt, president of the Foundation Center, one of the project partners. "The Grants Managers Network took the lead in bringing together partners from both sides of the table to address the situation. Project Streamline is committed to creating a field-wide discussion around the grant application and reporting experience for both nonprofits and foundations and thereby fundamentally improving the grantmaker-grantseeker relationship."

"It's a terrific report," said Joel Fleishman, Professor of Law and Public Policy Sciences at Duke University and author of *The Foundation: A Great American Secret*. "If implemented by large numbers of foundations, its recommendations would transform the state of relations between foundations and their recipient organizations."

### **Flaws in the System: Dizzying Variability, Insufficient Net Grants, and Reports on a Shelf**

*Drowning in Paperwork, Distracted from Purpose* finds ten ways that the current system of grant application and reporting creates more burdens than it relieves. Among the most fundamental is the dizzying range of practice that nonprofits encounter—both within and among funders—when it comes to the types of information they are required to provide.

Noting that nonprofits don't really receive grants as much as "net grants"—the total amount of funding minus the true cost of getting and managing the grant—the study suggests that in many cases grants aren't worth the time and labor spent on application and reporting. In another finding that has already generated much discussion among foundation leaders, the study cites the phenomenon of "outsourcing the burden," in which "grantseekers are required to do what is essentially the grantmaker's work without compensation."

In turn, the study found that grantmakers generally limit their use of grant reports to checking compliance. Only 27 percent of grantmakers said they share information about challenges and lessons learned from grant reports with others in their field. Grantees interviewed reported knowing that this is the case and perceiving it as a sign that grantmakers do not trust them. "We assume that they feed everything to a giant fiery furnace," said one nonprofit executive.

Grantmakers are also poorly served by current application and reporting practice, according to the report. Funders struggle with internal inefficiencies, and inconsistencies in guidelines and metrics makes it hard to share data with others in the field. More broadly, "an inefficient system means less nonprofit time and attention devoted to the mission-based activities that the grantmakers are funding."

The study also explores factors that have contributed to current grant application and reporting practice, including the power of the status quo and a lack of good feedback. "Since grantseekers need our money," said one grantmaker, "we rarely see or hear any negative comments about our organization."

### **Looking for Solutions: Core Principles and Field-wide Conversations**

Seeking to spur an open dialogue about the grant application and reporting system, the report recommends four core principles and a range of ways that grantmakers can adopt those principles into practice to relieve the burden on nonprofits. The principles are:

1. **Begin from zero.** "In a zero-based approach to information gathering, grantmakers begin with a rigorous assessment of what kind of information they really need to make decisions," according to the study.

2. Right-size grant expectations. Grantmakers should consider whether the effort that grantseekers expend to get the grant is proportionate to the size of the grant, the type of grant, and the existing relationship with the grantee.
3. Relieve the grantee burden. “By minimizing the amount of time, effort, and money that nonprofits spend getting and administering grants, funders increase the amount of time, effort, and money devoted to mission-based activities.”
4. Ensure that communications and grantmaking process are clear and straightforward.

The study also recommends actions that philanthropy associations can take to support improvement of foundation grant application and reporting practice. The project’s partner organizations will be incorporating these strategies into a final set of Project Streamline principles recommended for adoption throughout philanthropy.

A growing number of funders are rethinking their process to increase efficiency for their grantees and their internal operations, according to *Drowning in Paperwork, Distracted from Purpose*. In fact, eight out of ten grantmakers surveyed reported that they had taken steps to streamline their application and reporting practices.

Over the next months, Project Streamline will continue to learn about those new approaches, share the study’s findings and discuss the recommendations with a wide range of grantmakers, according to Richard Toth. The feedback will be gathered to develop and promote a final set of principles and practices along with tools and resources to support grantmakers that adopt them.

“We’ve already begun gathering input and hearing stories about how the report’s recommendations can come to life in foundations,” he said. “We believe that funders can reduce the burden that grantseeking places on public-serving organizations, while still practicing responsible grantmaking.”

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Project Streamline seeks to improve grant application and reporting. It is a collaborative initiative of the Grants Managers Network, in partnership with the Association of Fundraising Professionals, the Association of Small Foundations, the Council on Foundations, the Forum of Regional Associations of Grantmakers, the Foundation Center, Grantmakers for Effective Organizations, and the National Council of Nonprofit Associations.

The Grants Managers Network (GMN) provides a forum to exchange information about grants management and its relevance to efficient and effective grant making. GMN, a 501(c)(3) nonprofit and an affinity group of the Council on Foundations, currently has over 1,100 members representing more than 700 private, community and corporate foundations.

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