An Open-Data Approach to Transform Grantmaking

Proposals for grants can offer a wealth of ideas and information to the nonprofit community, if foundations take the right steps.

BY BRADFORD K. SMITH

Traditional grantmaking, whereby individual groups or people apply for pools of funding through a linear, all-or-nothing process, is inefficient, wasteful, and opaque to applicants and other outsiders. What if nonprofit proposals could come from a wider pool of candidates and be easily screened, mined for ideas, linked to related information, and shared with the world? In MacArthur’s 100&Change competition, Foundation Center saw an opportunity to explore how philanthropy’s grantmaking process could be transformed in a way that would focus the field on generating and sharing knowledge, rather than simply getting and giving grants.

GRANTMAKING TODAY

In the United States, foundations receive a tax exemption on their investment income in exchange for contributing to the public good. Some fulfill that role by maintaining one or more program areas and inviting the public—in the form of nonprofits—to apply for grants. The rationale for that open approach is that no matter how knowledgeable a donor, staff, and consultants may be, the best ideas may come in over the transom.

Nevertheless, of the more than 87,000 active independent, community, and corporate foundations in the United States, 70 percent do not accept unsolicited proposals. Together they represent 41 percent of total assets and 38 percent of annual giving in the nation. More than $27 billion of the $71 billion distributed every year by foundations is not up for grabs—you need an invitation.

Many donors keep their doors closed for fear they will be overwhelmed with proposals, which would require a costly infrastructure to evaluate. Proposal review is indeed labor-intensive, and tens of thousands of small foundations have little or no staff and limited budgets. But this argument makes less sense for larger foundations with highly qualified professional staff and significant operating budgets. Despite that, 41 percent of the roughly 1,200 largest US foundations, accounting for more than $600 billion in assets, do not accept unsolicited proposals.

Other grantmakers say that they don’t want to waste the valuable time of nonprofits, who might invest in preparing proposals that have little chance of approval. It is true that the majority of all proposals fail to get funded. When I worked at the Ford Foundation in the 1990s, I remember counting more than 144,000 requests in a year in which we made fewer than 2,000 grants. That pattern is repeated throughout the sector: Nonprofits and foundations invest enormous effort in preparing and reviewing proposals through time-consuming processes in which most of the data, analysis, and insights generated in the process are simply discarded.

In fact, this counterproductive process is actually becoming worse as foundations increasingly turn to prize philanthropy to spur innovation and emphasize branding. The best thing about prize competitions is that they are open to all; the pitfall is that the funnel is even narrower, producing only one or a handful of awards at the end.

Foundation Center, the leading source of information about philanthropy worldwide, is at the crossroads of foundations and their nonprofit partners. We maintain years of in-depth data about grantmaking and provide tools and training to help the grant seekers find funding. From nonprofits, we frequently hear such questions as: “How do I get a grant from a foundation that doesn’t accept unsolicited proposals?” “Why do foundations request so much information?” “What do foundations do with all that information?” Questions like these have a way of focusing the mind. It is increasingly difficult to provide suitable answers in an age when technology has transformed the ways in which we find, consume, supply, and process information in most every other realm of our lives. For several years, Foundation Center has worked to improve knowledge-sharing practices of foundations. But a recent collaboration with the MacArthur Foundation gave us the opportunity to experiment with opening up the grantmaking process itself.

"THE SOLUTIONS BANK"

Grants of the size of the 100&Change project—$100 million—are extremely rare in philanthropy. Only four of this size were made in all of 2016. It is rarer still to make such a gift through a competitive process. Because 100&Change was designed by the MacArthur Foundation as a competition and as an open-application process, the foundation decided to share all the proposals with other foundations, nonprofits, researchers, and the public at large.

Sharing presents practical problems, since merely posting thousands of PDFs on a website is not an effective way to transmit knowledge. Moreover, the application process requested some confidential information.

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In 2017, with MacArthur support, we turned a team of 25 data scientists, coders, and designers loose on the entire set of 1,871 proposals and 1,700 accompanying videos that were submitted to the 100&Change competition. The result was the Solutions Bank, a free online resource allowing users to explore proposals by subject, population served, strategy, and relationship to one or more of the United Nations’ 17 Sustainable Development Goals.

The bank’s largest volume of proposals are in categories such as economic opportunity, energy and environment, and health, but subjects range from agriculture to transportation. The “population served” field includes age groups, ethnic and racial groups, social and economic status, and other categories. “Geographic area served” includes regions, subregions, countries, and cities, and also broad domains such as oceans and space. Users can search with keywords or maps, or by choosing criteria from drop-down menus.

For example, searching “oceans” generates a list of 57 proposals, including Northeastern University’s mariculture project to grow sustainable, healthy animal protein. The system displays the core elements of the application along with accompanying videos, links to related proposals (such as Kepley BioSystems Inc.’s synthetic bait project), relevant research (such as a study on the depletion of forage fish stocks), and links to foundations that have funded the university in the past.

Linking information in this way turns the entire body of proposals and videos into knowledge that can be used by other foundations looking for “shovel ready” grant proposals to expand a current program area or launch a new one, or to create another prize competition. By including information about who currently funds 100&Change applicants, the site is also intended to be useful for nonprofits and other organizations seeking their own funding.

BUILDING THE BANK
Foundation Center has a long history of collecting, cleaning, and coding data about philanthropy and applying data science to make sense of raw information. In 1960, it published its first print directory, including information on some 5,200 American foundations. In the following years, Foundation Center developed a grant classification system that evolved into the Philanthropy Classification System, a taxonomy of more than 1,300 terms to categorize a grant’s subject, population served, approach strategy, transaction type, and organization type. These entries are coded by location using GeoNames, an open database of more than 11 million geographic place names.

In 2016, Foundation Center began using a database of more than one million hand-coded foundation grants to train computers to do the coding process on their own through machine learning, an approach that uses statistical techniques to give computer systems the ability to “learn” by progressively improving performance on a specific data-driven task such as classification, without being explicitly programmed. Once the system was able to classify grants at 90 percent accuracy—the target we had established—we applied it to...
Today, America’s foundations are like black holes, absorbing enormous quantities of knowledge while reflecting back almost none. This situation could change.