

AIMING TO DISRUPT

Reflections and Learnings on Our Goal to Reimagine Philanthropy through the Equitable Recovery Initiative

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REPORT SUMMARY

In early 2020, we responded to the devastating effects of the twin pandemics of COVID-19 and global social injustice by issuing \$125 million in social bonds to help stabilize and sustain partners in the nonprofit sector.

This Equitable Recovery initiative was an opportunity for the Foundation to disrupt historical philanthropic practices and internal practices and processes.

This report summarizes the first year of the **Equitable Recovery** Initiative's bond proceeds grantmaking and our early learnings. It will complement an external evaluation that is being conducted by the Creative Research Solutions and BECOME (CRS-BECOME) team, the Foundation's **evaluation and learning partner**. The CRS-BECOME team's reporting will cover progress and findings on the full Equitable Recovery Initiative, including grantee voices. We will use it to facilitate learning about how we met our goals for this initiative and opportunities for growth. Learn more about MacArthur's **approach to evaluation**.

Some high-level findings include:

- **Disruption of traditional philanthropic practices:** Our preliminary analysis of the grantee demographic survey shows us that BIPOC (Black, Indigenous, and People of Color) organizations were given priority in the grantmaking. Of those responding to the demographic survey¹:
 - 83 percent (n=43) of *organizations* self-identify as BIPOC² or are BIPOC-led³.
 - 83 percent (n=43) of *grant dollars* went to organizations that self-identify as BIPOC or are BIPOC-led organizations.
- **Disruption of status quo organizational practices:** External advisors' feedback played an essential role in shaping the approach and our funding decisions during the second phase of grantmaking.

Non-programmatic Staff gained experiences in grantmaking.

- **Disruption of status quo grantmaking processes:** We used this initiative as an opportunity to experiment with a few grantee-centered practices, including accepting proposals for general operating grants that were previously submitted to other funders to save grantee time.

BOND PROCEEDS GRANTS AT-A-GLANCE

- **Supported BIPOC organizations:** 83 percent of survey respondents are organizations that self-identify as BIPOC or are BIPOC-led.
- **Provided flexible funding:** 65 percent of the grants made were general operation support or flexible spending.
- **Reached new organizations:** 63 percent of grant organizations were first-time MacArthur grant recipients.

COMPARED TO OUR PROGRAMMING OVER THE SAME TIME:

- **Provided larger awards:** the average grant size for bond proceeds' direct grants was \$1 million, compared to \$700,000 for all programs' direct grants.

BACKGROUND AND OVERVIEW OF OUR APPROACH

This report represents feedback and voices of external advisors and MacArthur Staff who served on bond proceeds advisory groups and served as bond proceeds moderators. We summarize the first year of the Equitable Recovery Initiative's bond proceeds grantmaking and our early learnings. We aim to be transparent about how we work, the decisions we make, and the lessons we are learning along the way.

These learnings will complement an external evaluation that is being conducted by Creative Research Solutions and Become (CRS-BECOME) the **evaluation and learning partners** for this initiative. Their reporting will cover progress and findings on the full Equitable Recovery Initiative, including grantee voices. We will use the learnings from the external evaluation to facilitate learning about how we met our goals for this initiative and opportunities for growth. Learn more about MacArthur's **approach to evaluation**.

NATIONAL AND LOCAL CONTEXT

2020 was a year of collective trauma, loss, and realization. The once-in-a-lifetime confluence of a global pandemic, economic hardship, and civil unrest unsettled the critical work and finances of nonprofit organizations, businesses, and individuals. Persistently marginalized groups, including Black, Latinx, Indigenous, and Asian communities,⁴ experienced disproportionate harm. Nationally and internationally, the murders of George Floyd, Ahmaud Arbery, and Breonna Taylor, among many others, sparked racial justice uprisings.

EQUITABLE RECOVERY BOND PROCEEDS INITIATIVE

The Foundation acted quickly to respond to these immediate crises. It was critically important to make a commitment beyond modest emergency grantmaking and support to our grantees. We wanted to balance this need for urgent response with continued responsible stewardship of our endowment. We responded by issuing **\$125 million in social bonds** to help stabilize and sustain a nonprofit sector facing devastating effects due to the twin pandemics of COVID-19 and global social injustice. While issuing the social bonds increased the Foundation's annual payout over the next three years and required creating a 10-year repayment plan, our Board of Directors endorsed this plan as it reflected our commitment to respond to the crises.

Incurring debt in this way was a new practice for the Foundation and is not common in the field of philanthropy. Issuing a social bond to generate money, designing an initiative, and providing \$125 million in support to organizations within 12 months was unprecedented for the Foundation.

The Equitable Recovery Initiative was implemented through two phases:

- In Phase 1, Staff volunteers with diverse role, ethnicity, sex and gender, and LGBTQIA+ community identities formed advisory groups to make initial grants to respond to the crises.
- In Phase 2, the bond proceeds advisory group collaborated in a **participatory process** with external advisors to grant the remaining dollars, focusing on racial and ethnic justice.

Between September 2020 and October 2021, the Foundation disbursed roughly \$125 million⁵ in grants to 115⁶ organizations addressing COVID-19 recovery and racial inequities.



LEANING INTO OUR VALUES TO DISRUPT SYSTEMS AND PRACTICES

We recognized that current structures and systems maintain inequities in the United States and around the world. Globally, we have seen inequities exacerbated between wealthy nations and countries with fewer economic resources. In the United States, racial oppression is a root cause to persistent inequities that exist between White and BIPOC individuals and communities.⁷

The goal of the Equitable Recovery Initiative is to reimagine and rebuild systems and structures to ensure that communities are more just, equitable, and resilient.

Philanthropy has persistently engaged in racial oppression, which systematically advantaged one group, while disproportionately harming others.⁸ Philanthropic organizations have given less money to BIPOC-led organizations and have placed less trust in their ability to choose how to spend grant funding⁹. Many foundations, including MacArthur, are on their own racial equity journey to recognize and

address current racial and social inequities. But to make authentic progress on racial equity,¹⁰ the sector must also acknowledge the mistakes of the past and make the necessary changes to correct for these mistakes going forward.

As people globally experienced societal interruption and social unrest, MacArthur viewed this as a moment to lean into the values of our **Just Imperative**¹¹ to help improve the critical systems needed for a more just world, particularly for Black, Brown, and Indigenous communities. We responded with the Equitable Recovery Initiative. This initiative was an opportunity for the Foundation to disrupt traditional philanthropic practices by giving more money to BIPOC-led organizations and trusting them to make decisions about how to spend their funds.¹² This was also a moment for us to disrupt our internal organizational practices and grantmaking processes, pursuing a more equitable process with the goal of reducing burden on grantees.

HOW WE ALLOCATED FUNDING

This initiative was guided by nine principles to maximize the impact of the social bonds.¹³ The \$125 million social bond funds were dispersed across six focus areas shown in Fig. 1 in two rounds of grantmaking. In the first-round, funds were deployed to target urgent recovery work addressing systemic inequalities, discrimination, and racism in America, including election mobilization and protection strategies. The second round of grantmaking went to racial justice field support with a focus on combating anti-Blackness, self-determination of Indigenous Peoples, public health equity and COVID-19 mitigation and recovery, and an equitable housing demonstration project.

FIG. 1 EQUITABLE RECOVERY BOND PROCEEDS FOCUS AREAS

COMBATING ANTI-BLACKNESS

\$37.6M (42 grants)

COVID-19 MITIGATION AND RECOVERY

\$25.2M (16 grants)

PUBLIC HEALTH EQUITY

\$21.3M (34 grants)

DEMOCRACY AND VOTING RIGHTS

\$18M (16 grants)

SELF-DETERMINATION OF INDIGENOUS PEOPLES

\$17M (19 grants)

EQUITABLE HOUSING DEMONSTRATION PROJECT

\$5M (1 grant)

**The \$125M in bond proceeds includes \$124,049,000 in grant dollars (legally committed and pipeline requests) and approximately \$951,000 in issuance costs.*

The grantmaking effort was far-reaching and included grantmaking in United States, India, and Nigeria.

REFLECTIONS FROM THE FIRST 12 MONTHS

We are planning to release a full evaluation report in 2022. This current report is an opportunity to reflect on the first 12 months of the Equitable Recovery Initiative. The learnings outlined here represent the feedback and voices of external advisors and MacArthur Staff who served on bond proceeds advisory groups and as bond proceeds advisory groups' moderators. This section is framed by the Foundation's intentions to disrupt three important areas: (1) traditional philanthropic practices, (2) organizational practices, and (3) grantmaking processes.

DISRUPT TRADITIONAL PHILANTHROPIC PRACTICES

The majority of dollars were granted to organizations that are BIPOC-led or self-identify as BIPOC. Funds were invested in areas that disproportionately affect BIPOC communities.

The Foundation's intent was to take a leadership role in modeling and promoting racial healing. We recognize that philanthropy at large (including MacArthur) continues to exercise racial oppression in our choices of who we fund and how we work and maintain practices not in line with the values of diversity, equity, and inclusion. To disrupt the status quo, we sought to prioritize organizations that self-identify as BIPOC or are BIPOC-led and support their vision for the communities they serve. We are holding ourselves accountable to this commitment by gathering demographic information from all of our United States-based Equitable Recovery grantees. This demographic data collection is ongoing.

PROGRESS TOWARD OUR GOALS

Our preliminary analysis shows us that BIPOC organizations were given priority in the grantmaking. Of those responding to the demographic survey:¹⁴

- 83 percent of organizations self-identify as BIPOC¹⁵ or are BIPOC-led;¹⁶
- 83 percent of grant dollars went to organizations that self-identify as BIPOC or are BIPOC-led.

CHALLENGES AND LEARNINGS

Of the 43 organizations that responded to the demographic survey as being BIPOC-led, 22 were Black-led organizations. Some feedback suggested that a larger number of grants could have been distributed differently to organizations led by various racial and ethnic groups. We will explore this further as we continue data collection to understand how we can do more to support equity and inclusion of leaders of color.

Based on our analysis of those who did not respond to the survey, we believe these results undercount the full representation of organizations that self-identify as BIPOC or are BIPOC-led.

We are conducting additional survey analysis and grantee interviews to help us better understand organizations' experiences with collecting demographic data and what additional supports they may need from the Foundation.

DISRUPT STATUS QUO ORGANIZATIONAL PRACTICES

The Foundation invited participation of many voices and points of view to provide input and feedback, allowing for deep reflection and ongoing learning. Collaborative grantmaking practices led to new partnerships and a majority of the awards going to first-time grantees.

Based on our values of diversity, equity, and inclusion, we implemented a collaborative process including engaging external advisors and interested volunteer Staff. Collaboration through new partnerships can itself disrupt the status quo and introduce new opportunities. Building on our experience in [participatory grantmaking in the arts](#) and other programs that engage external actors—such as our MacArthur Fellows program and our [100&Change](#) competition— we sought to extend and expand on these practices by working closely with external advisors.

The **external advisors** were new voices outside of our established networks, and we engaged with them through multiple cycles of feedback and conversations. They expanded our reach by referring us to potential grant recipient organizations, many of which were new to us. And our internal participatory processes allowed us to collaborate in new ways.

PROGRESS TOWARD OUR GOALS

Sixty-three percent of grant organizations¹⁷ were first-time MacArthur grant recipients. We attribute this to:

- Staff, leadership, and external advisors leveraging their networks to recommend organizations to fund.
- Staff collaborating with other funders to quickly learn about organizations and collaborations that could support the initiative.
- Staff engaging 24 fiscal sponsors which helped us reach new organizations, especially organizations that are most proximate to BIPOC communities.

External advisors' feedback played an essential role in shaping the approach and our funding decisions during the second phase of grantmaking.

Non-programmatic Staff gained experiences in grantmaking. This included working with prospective grantees to develop and submit grant proposals.

Staff valued the opportunity to volunteer and were highly motivated to engage in the initiative.

CHALLENGES AND LEARNINGS

Funding opportunities were open to a limited group of organizations. Organizations not in the external advisors' or funders' networks had no access or opportunity to apply for a grant.

We were not able to support all organizations through the grantmaking process. This resulted in some missed opportunities in partnering with new organizations, especially recently founded, smaller organizations.

The initiative dramatically increased work for Staff volunteers.

While the Staff volunteers worked collaboratively to implement this initiative, we did not clearly define roles and responsibilities. This led to uncertainty in processes, decision making, and the degree to which input from Staff volunteers was weighted and utilized.

Staff volunteers had varying perceptions of the initiative's alignment with the values of diversity, equity, and inclusion. Some Staff noted a lack of clear expectations on what it means to have an initiative that supports racial equity and combats anti-Black racism.

DISRUPT STATUS QUO GRANTMAKING PROCESSES

We prioritized new grantmaking practices that centered the grantee experience and aimed to break down traditional philanthropic practices.

MacArthur is committed to centering the grantee experience. Staff volunteers worked closely with grantees to prepare and submit materials needed to receive funding, with a focus on minimizing grantee burden while meeting our legal obligations and the requirements of the bond offering.

PROGRESS TOWARD OUR GOALS

We used this opportunity to experiment with a few grantee-centered practices:

- We accepted proposals for general operating grants that were previously submitted to other funders. This saved grantees time writing a new application. However, not all grantees took advantage of this option.
- We sought to support organizations through different types of grants. Sixty-six percent of the grants made were general operation support or flexible spending. This gave grantees the opportunity to worry less about the organization's survival and focus more on lifting up their communities. It also demonstrated trust in organizations to make decisions about how funding would best be used.
- We revised reporting requirements for grantees that received an award through the initiative. Grantees are able to report on their projects orally instead of submitting a written annual report to ease the burden of reporting.

To implement these grantee-centered practices, we made several adjustments to our typical grantmaking process. This included the Board relying on funding recommendations from Staff and external advisors and delegating authority to the President to approve a portion of larger grants.

We distributed grant dollars and grant awards more quickly for this initiative compared to other grant dollars and awards made during the same period. Changes to the grantmaking process allowed grantees to receive their first payment of grant dollars faster.

CHALLENGES AND LEARNINGS

Minimizing burden on grantees sometimes created a higher workload for Staff at a time of intense professional and personal challenges.

Staff who did not typically serve in a grantmaking role reported that working in new ways and with a sense of urgency gave them an uneven experience compared to Staff that have made grants.

NEXT STEPS

The Equitable Recovery Initiative bond proceeds issuance was a one-time effort in response to a once-in-a-century crisis. We led and learned with a focus on inclusion and transparency. We believe this initiative's intentional emphasis on disruption will inform improvements to all grantmaking at the Foundation and the work of our peers. From preliminary evaluation results, Staff and external advisors have provided insights that can inform positive changes to grantmaking processes and procedures, potential future grantmaking areas, and changes to our work culture.

While the Foundation was responsive to COVID-19 and racial and social injustices, we need to better understand the intended and unintended consequences of the ways we worked among Staff, external advisors, and grantees. Also, we need to further understand the consequences of this being a one-time initiative. This is an opportunity for us to determine how we lived the Just Imperative, the ways we shared power among Staff and external advisors in the grantmaking process, and how we worked in grantee-centered ways.

We look forward to making public an external evaluation report of this initiative with a more expansive set of findings in 2022. We will use it to facilitate learning about how we met our goals for this initiative and opportunities for improvements. We look forward to learning more from grantees during this evaluation process and better understanding the results of our Equitable Recovery Initiative and how we contributed to creating systems that are more just, equitable, and resilient.



ENDNOTES

- 1 These data do not represent the total number of organizations (N=115) that received a grant made with bond proceeds. The survey was administered to 71 organizations in August 2021. A total of 52 organizations responded representing \$67.4 million of the initiative and a 73 percent response rate. Not included in the demographic data analysis at the time of the writing of this report are: international grantees (22 organizations, \$22.1 million in grants), those that have yet to be surveyed because the grant was made after August 2021 (22 organizations, \$12.0 million in grants), and nonrespondents (19 organizations, \$20.7 million in grants).
- 2 Self-identify as BIPOC: In the demographic survey, organizations were given the opportunity to self-identify as BIPOC. Do you identify as a BIPOC-centered organization, (i.e., an organization that is by, for, and about people of color)? A BIPOC organization will likely demonstrate some of the following characteristics: CEO or Executive Director identifies as Black, Indigenous, or person of color; mission is explicitly by, for, and about BIPOC communities; and/or 50 percent or more of Board, Staff, or Project Team members identify as Black, Indigenous, or people of color.
- 3 BIPOC-led: For those organizations that did not self-identify as a BIPOC-centered organization, we analyzed for BIPOC-led as including one of the following: CEO/President/Leadership structure is BIPOC, or Board is at least 51 percent BIPOC, or Senior leadership is at least 51 percent BIPOC.
- 4 <https://jamanetwork.com/journals/jama/fullarticle/2775687>
- 5 The \$125 Million includes \$951,000 in insurance cost underwriting, rating fee, auditor, financing, legal, and closing costs.
- 6 The 115 includes direct grantees and fiscal sponsor organizations.
- 7 Racial oppression is defined as the condition in which one group is systemically advantaged while another is disproportionately harmed by the more powerful social group for the social, economic, and political benefit of the more powerful social group.
- 8 <https://scholarworks.gvsu.edu/cgi/viewcontent.cgi?article=1565&context=tfr>
- 9 <https://www.philanthropy.com/article/nonprofits-led-by-people-of-color-win-less-grant-money-with-more-strings-study/>
- 10 <https://www.giarts.org/article/paying-attention-white-culture-and-privilege>
- 11 The Just Imperative requires that we interrogate our decisions and actions to ensure that they enhance the conditions in which justice can thrive; rejecting and challenging the structures, systems, and practices that reinforce an unjust status quo or produce unjust outcomes.
- 12 <https://www.philanthropy.com/article/nonprofits-led-by-people-of-color-win-less-grant-money-with-more-strings-study/>
- 13 The following are nine Guiding Principles to our Equitable Recovery grantmaking: Sustain and strengthen organizations addressing COVID-19 recovery and racial inequities; Focus the use of the proceeds to have maximum impact and avoid spreading funds too thinly; Seek to change or transform systems that have historically affected and continue to disproportionately affect people of color; Prioritize fields where we have strong partners and/or have a comparative advantage as a leader; Leverage our Staff expertise and networks to accelerate grantmaking and amplify impact; Consult with and obtain input from communities that will be affected; Be alert to emerging organizations and coalitions that may be important to support in targeted areas of work; Prioritize opportunities to collaborate with other funders to increase opportunity for impact; Establish metrics and goals in advance and systematically assess success or failure of the work supported as it proceeds.
- 14 These data do not represent the total number of organizations (N=115) that received a grant made with Bond Proceeds. The survey was administered in August 2021. At the time the survey was administered, 71 organizations were surveyed. A total of 52 organizations responded representing \$67.4 million of the initiative and a 73 percent response rate. Not included in the demographic data analysis at the time of the writing of this report are: international grantees (22 organizations, \$22.1 million in grants), those that have yet to be surveyed because the grant was made after August 2021 (22 organizations, \$12.0 million in grants), and nonrespondents (19 organizations, \$20.7 million in grants).
- 15 Self-identify as BIPOC: In the demographic survey organizations were given the opportunity to self-identify as BIPOC. Do you identify as a BIPOC-centered organization, (i.e., an organization that is by, for, and about people of color)? A BIPOC organization will likely demonstrate some of the following characteristics: CEO or Executive Director identifies as Black, Indigenous, or person of color; mission is explicitly by, for, and about BIPOC communities; and/or 50 percent or more of Board, Staff, or Project Team members identify as Black, Indigenous, or people of color.
- 16 BIPOC-led: For those organizations that did not self-identify as a BIPOC-centered organization, we analyzed for BIPOC-led as including one of the following: CEO/President/Leadership structure is BIPOC, or Board is 51 percent BIPOC, or Senior leadership is 51 percent BIPOC.
- 17 The 63 percent is based on 124 organizations. This is the total number of direct grantee organizations and projects sponsored by a fiscal sponsor that received a grant through the bond proceeds as of October 7, 2021.