

Researched and edited by Diana Leat,
consultant to WINGS-CF

VOLUME **2** **Philanthropy in a Global Community**

Case Studies of Organizations Supporting Community Foundations



WINGS
WORLDWIDE INITIATIVES
FOR GRANTMAKER SUPPORT



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WINGS

Worldwide INitiatives for Grantmaker Support (WINGS) is a network of some 100 membership associations and philanthropy support organizations serving grantmakers in more than 70 countries. These organizations have joined together to create opportunities to learn from and support one another, develop modes of communication and collaboration and contribute to the strengthening of philanthropy worldwide. **Worldwide INitiatives for Grantmaker Support - Community Foundations (WINGS-CF)** is a part of the WINGS global network and includes organizations supporting the development and work of community foundations in different areas around the world. Additional information about WINGS and WINGS-CF can be found on the WINGS website, www.wingsweb.org.

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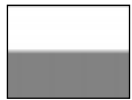


Case Studies of Organizations Supporting Community Foundations:

Table of Contents

Preface page **v**

Overview page **ix**



Academy for the Development of Philanthropy (ADPP) (Poland) page **1**

This profile includes a focus on the staffing of this philanthropic support organization, particularly in relation to community foundation activities.



Baltic American Partnership Programme (BAPP) (Latvia) page **10**

This case study provides an early glimpse into activities in Latvia (and two neighboring Baltic countries) relating to the potential development of community foundations.



Community Foundation Network (United Kingdom) page **16**

The profile of this support organization for community foundations includes a special focus on the services it provides to its members.



Council of Michigan Foundations (CMF) (United States) page **26**

The profile of this 26-year old statewide association of grantmakers includes a special focus on some of the programs it has delivered to Michigan's community foundations, including the establishment of standards.



European Foundation Centre (EFC) (Belgium) page **36**

This case study focuses on the Community Philanthropy Initiative (CPI), a project formally initiated in January 2000 (following a pilot project begun in 1997) by the EFC to promote the development of community philanthropy organizations, including community foundations.



Fondazione Cariplo Foundation (Italy) page **49**

This profile provides a fascinating look at the ways in which a banking institution and its private foundation have made use of the community foundation model to reach the grassroots in its grantmaking.



Institute for the Development of Social Investment (IDIS) (Brazil) page 58

This case study includes a focus on the delivery of a program by a new organization in a region where community foundations and community philanthropy are emerging.



Southern African Grantmakers' Association (SAGA) (South Africa) page 67

This profile of a national association of grantmakers includes a focus on the development of the first ten community foundation initiatives in South Africa.





Case Studies of Organizations Supporting Community Foundations:

Preface

Introduction

During 2001, WINGS-CF worked to develop a set of case studies describing the various forms of organizations supporting community foundations. From February to October, a WINGS-CF working group, UK-based consultant Diana Leat, and eight very different regional and national organizations assisting the development of community foundations in very different parts of the world, worked together to profile their organizations. The result is an Overview, describing the key trends and lessons learned from the case studies, as well as eight individual profiles. These can be accessed on the WINGS-CF website, in Portable Document Format (PDF).

The first section of each case study provides general background on the organization's structure, resources and activities, its involvement in community foundation development, and a picture of the environment of the region or country in which it is operating. The second section of each case study provides greater detail on an aspect of the organization, such as staffing, services for community foundations, or financial sustainability.

The eight organizations included in the case study project between them illustrate the various forms of organizations supporting community foundations, capture regional/country differences, and describe organizations at different stages of development.

The case studies are intended primarily to help strengthen WINGS-CF organizations in their work. They are also intended to be used as a partner piece with Volume 1 in this series, *Case Studies of Grantmaker Associations Around the World*. Volume 1 also includes an Introductory Essay which provides an intellectual and visionary statement about the value of philanthropic support organizations.

Project notes

- ▶ The project was truly global in nature, with the project consultant alternating between Australia and the United Kingdom, the WINGS-CF project coordinator in Canada, and the profiled organizations in Belgium, Brazil, Italy, Latvia, Poland, South Africa, the United Kingdom, and the United States. The working group members came from yet other parts of the globe, including Mexico and Slovakia.
- ▶ Sixteen out of 50 organizations—or 32 percent of the network—were actively involved in some way in the project (e.g., providing feedback as a working group or advisory committee member, or directly involved as a profiled organization).
- ▶ Profiled organizations involved several staff members and sometimes other resource people in preparing the text for their draft case studies.

- Financial support for the research/writing was requested by and provided to two of the eight profiled organizations.
- The project consultant prepared an outline for each organization to review and discuss with the consultant, before preparing their organization's first draft. The consultant then worked with the organization, the WINGS-CF project coordinator and the working group: to clarify, seek additional or supporting information, and finalize the text.
- Most of the work conducted took place through e-mail. Telephone conversations took place from time to time, but the project was largely electronic in nature.
- The project was completed on time in spite of delays with individual timelines: local priorities and circumstances proved to be a significant factor for those involved, although all involved demonstrated a commitment to completing the project once "signed on." All WINGS-CF organizations are busy and overloaded, regardless of their financial and human resources, age/experience, etc. (Note: Two of the organizations initially invited to participate could not, due to time constraints, and a third organization approached as a replacement also declined.)
- Use of a consultant (21 days) to prepare an initial outline for the case studies, to liaise with profiled organizations, to conduct additional research and to prepare the drafts was essential. This arrangement ensured the presence of a "voice" throughout the series of case studies (which are otherwise very different in many ways) and made the project possible in terms of the time commitment involved.
- The time required by WINGS-CF staff, even with a consultant in place, was considerable. This involved handling working group communications, helping out with relationships/discussions with profiled organizations when needed, providing additional background on organizations and the original project terms of reference for the consultant, and spending a great deal of time on reading, editing and formatting documents.

- More "back and forth" took place between the consultant and WINGS-CF staff before the working group was involved in reading drafts, etc., than originally planned. It proved to be helpful to do a pre-read of all documents, address key gaps or questions, and prepare drafts in a consistent format before sharing materials with time-pressed working group members.

Project Learnings

During the course of this project, we heard from a number of colleagues outside the network about how challenging—impossible, in fact—distance/electronic projects of this kind could be. A number of people said to us that we were the only successful project of this kind they had heard of. A number of factors undoubtedly contributed to the success of the project:

- The WINGS-CF project coordinator and the project consultant had met before and both had experience of working in different countries.
- The WINGS-CF project coordinator had already met most of the people in the profiled organizations and the working group at a WINGS-CF Peer Meeting.

Both of these factors helped to give e-mails sent to one another a higher priority, so that they would be read and acted on fairly quickly.

- The project had been agreed upon as a high priority by the organizations in the WINGS-CF network, so the commitment to undertake the project was strong.
- A high level of mutual interest and trust existed in the network.

These two factors are essential if the project is to be valued and therefore made a priority even when other work is competing for attention.

- The project consultant had strong experience and understanding of the foundation world, including community foundations, and their support organizations.



- The teaming of the project coordinator and consultant was effective, as they encouraged each other to keep motivated when the project was dragging or frustrations had been encountered.

The value of a good pairing and mutual understanding cannot be underestimated.

- The working group's members—from Mexico, Latvia, the United States and Slovakia—were particularly helpful in asking very specific questions that only colleague organizations could formulate, as well as for helping to ensure that the language used throughout the case studies was clear and accessible for a global, multi-lingual audience.
- Finally, one of the most significant learnings of the project is the difficulty for some organizations to be completely transparent within the case studies about difficulties or challenges facing the organization. While there is a great deal of candor throughout the eight case studies, which is particularly helpful for other colleague organizations, it was not always possible for the profiled organizations to share every challenge they have encountered. Much of this information, of course, is shared informally, when network participants meet.

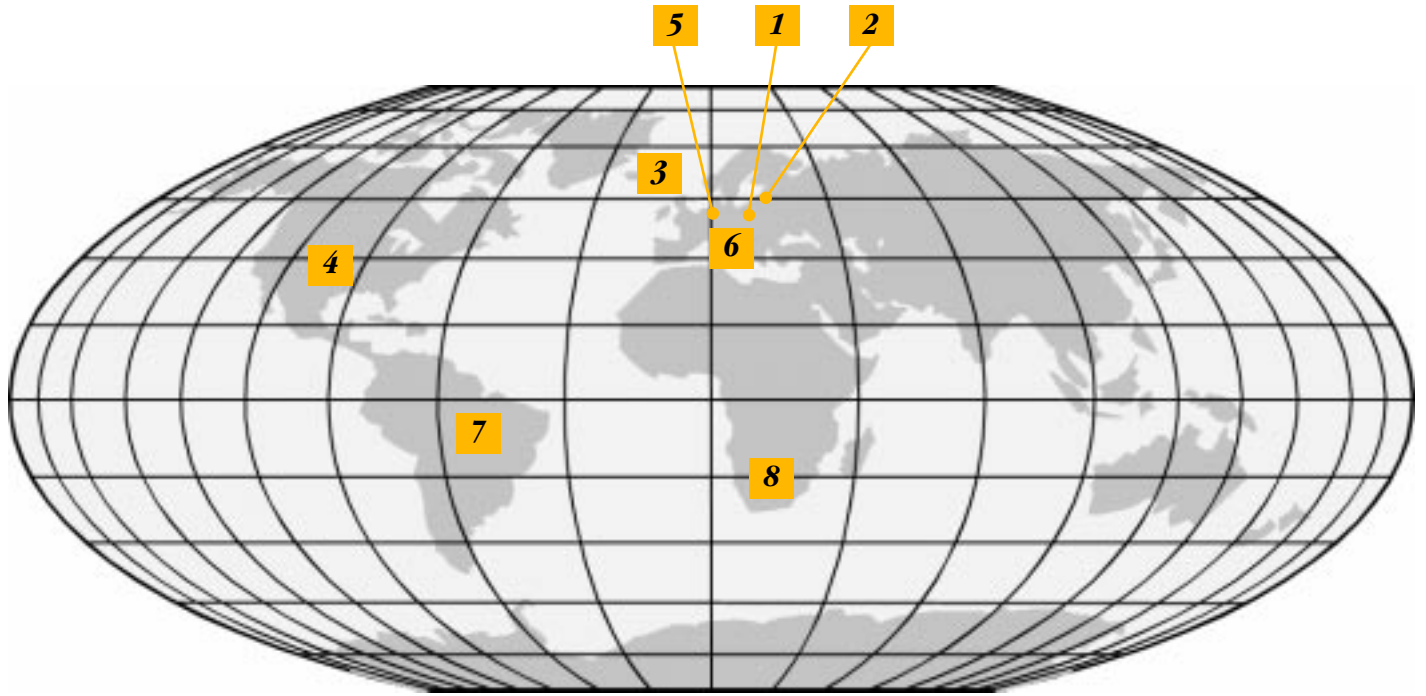
June 2002

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WINGS-CF is grateful for the efforts of all involved in the development of these case studies, including the Working Group members who provided guidance throughout, the organizations which participated so fully in the development of their own case studies, and our lead consultant, Diana Leat. The case studies are the result of a group effort and owe their richness and strength to that collective experience.

About the Editor:

Diana Leat is a Senior Research Fellow at the Centre for Civil Society at the London School of Economics. In addition to her academic appointments, Dr. Leat has been a consultant to various grantmaking foundations in the UK and Australia, has written extensively on issues facing grantmaking foundations, and has worked with Community Foundation Network in the UK. Dr. Leat's first work with WINGS-CF was as the lead consultant and editor in this volume of case studies, since which time she has also been involved in evaluating the effectiveness of WINGS-CF's peer matching program.



- 
1 Academy for the Development of Philanthropy (ADPP) (Poland)
- 
2 Baltic American Partnership Programme (BAPP) (Latvia)
- 
3 Community Foundation Network (United Kingdom)
- 
4 Council of Michigan Foundations (CMF) (United States)
- 
5 European Foundation Centre (EFC) (Belgium)
- 
6 Fondazione Cariplo Foundation (Italy)
- 
7 Institute for the Development of Social Investment (IDIS) (Brazil)
- 
8 Southern African Grantmakers' Association (SAGA) (South Africa)





Case Studies of Organizations Supporting Community Foundations:

An Overview

I *Introduction*

In late 2000, WINGS-CF began to prepare for a project that would result in a series of case studies of the organizations supporting community foundations around the globe. From February to September 2001, a WINGS-CF working group, U.K.-based consultant Diana Leat, and eight very different regional and national organizations assisting the development of community foundations in very different parts of the world, worked together to profile their organizations. E-mail provided the basis for communication between these partners, and was supported by a modest number of telephone conversations. No face to face contact ever took place.

The result of this collaborative effort is a collection of eight vivid and diverse profiles which illustrate the types of organizations engaged in supporting community foundations, the environments in which they are operating, the challenges they face and the lessons they have learned. These case studies invariably delve much into issues related to community foundations themselves. This project has proved how intertwined the issues are for community foundations and the organizations supporting them.

Some of the profiled organizations have worked with community foundations—and in some cases, other grantmakers as well—for years and have a bountiful history to share. Others are working in environments where community foundations are newcomers. Issues around relationships are being addressed at the same time as the support organization is designing services for community foundations. All are dealing with very limited human and financial resources and engaging in policy issues facing communities in their regions or countries. All have a great commitment to the community foundation model and realizing its potential for the benefit of their communities.

The Eight Organizations

- 1. Academy for the Development of Philanthropy (ADPP) (Poland)**—This profile includes a focus on the staffing of this philanthropic support organization, particularly in relation to community foundation activities.
- 2. Baltic American Partnership Programme (BAPP) (Latvia)**—This case study provides an early glimpse into activities in Latvia (and two neighboring Baltic countries) relating to the potential development of community foundations.
- 3. Community Foundation Network (United Kingdom)**—The profile of this support organization for community foundations includes a special focus on the services it provides to its members.

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WINGS-CF, August 2001

- 4. Council of Michigan Foundations (CMF) (United States)**—The profile of this 26-year old statewide association of grantmakers includes a special focus on some of the programs it has delivered to Michigan’s community foundations, including the establishment of standards.
- 5. European Foundation Centre (EFC) (Belgium)**—This case study focuses on the Community Philanthropy Initiative (CPI), a project formally initiated in January 2000 (following a pilot project begun in 1997) by the EFC to promote the development of community philanthropy organizations, including community foundations.
- 6. Fondazione Cariplo Foundation (Italy)**—This profile provides a fascinating look at the ways in which a banking institution and its private foundation have made use of the community foundation model to reach the grassroots in its grantmaking.
- 7. Institute for the Development of Social Investment (IDIS) (Brazil)**—This case study includes a focus on the delivery of a program by a new organization in a region where community foundations and community philanthropy are emerging.
- 8. Southern African Grantmakers’ Association (SAGA) (South Africa)**—This profile of a national association of grantmakers includes a focus on the development of the first ten community foundation initiatives in South Africa.

This Overview seeks to summarize the key findings from the set of case studies, by highlighting differences between and common threads shared by the eight profiled organizations, particularly in relation to:

- Organizational type and environmental factors;
- Factors in the development of community foundations; and
- Key tensions and challenges for community foundations and the organizations supporting them.

The trends and findings recorded here relate to both the WINGS-CF organizations profiled and the community foundations they support. In some cases, the learnings reported here are intertwined, reflecting how difficult it is to isolate the issues for each.

Note: The Overview and seven of the eight case studies were prepared in English; the eighth case study was drafted in the organization’s native language and then translated into English, the common language of WINGS-CF. Translation of these documents into other languages is a possibility and will be largely determined by the needs of WINGS-CF participant organizations.



II *Differences Between Organizations: Organizational Type and Environmental Factors*

Differences in Mission and Objectives

The organizations included in these case studies differ in mission and objectives, age and origins. Some organizations' primary, if not only, purpose is to promote and support community foundations; other organizations have a wider range of purposes and constituencies. Organizations not only have different purposes and missions, but also different philosophies in relation to the nature and value of community foundations. For example:

- Institute for the Development of Social Investment (IDIS) in Brazil sees community foundations primarily as one strategy in encouraging wider social investment;
- Fondazione Cariplo in Italy became involved in community foundations initially, in part, as a way of solving a technical problem of grantmaking;
- Community Foundation Network in the United Kingdom, like the Council of Michigan Foundations (CMF) in the United States, emphasizes the advantages of community foundations as a way of creating an endowment for the longer term.

It is also worth noting that the European Foundation Centre (EFC) is the only organization among the eight with a multi-country focus, which introduces other complexities to its work.

Differences in Resources

The organizations included here also differ radically in financial and other resources such as staffing, both in total and in the amount allocated to work with community foundations.

Differences in Age

Baltic American Partnership Programme (BAPP)–Latvia has barely established itself; CMF is 26 years old. The remaining six organizations fall somewhere in between in age.

Membership and Non-Membership Organizations

Some organizations have members, others do not. Membership organizations may draw members primarily from community foundations (e.g., Community Foundation Network), from a mix of community foundations and other foundations (e.g., CMF) or from a wider pool of stakeholders and supporters (e.g., IDIS).

Irrespective of whether they are membership organizations, most aim to have a Board representative of key stakeholders (though these differ), and most view the Board as a valuable asset in providing legitimacy and networks.

Differences in Political and Economic Environments

Most strikingly, the organizations included in these case studies operate in radically different economic and political environments. Apart from levels of wealth and poverty, and their distribution, traditions of and attitudes to both philanthropy and the role of government appear to make a significant difference to community foundation development and support. In addition, tax and legal frameworks, economic growth and levels of unemployment, cultures of giving and existing levels of voluntary activity, levels of community conflict, division and integration all play a part.

The following description of the context in which IDIS operates is, to varying degrees, typical of the environment in which some of the other support organizations work:

“The perception that only a strong state can ‘deliver’ what people need is matched by the perception by some members of the public that nonprofit organizations cannot make an impact on basic-needs delivery or welfare and other development programs. These attitudes not only inhibit local initiative but also contribute to reluctance by the public to contribute funds to nonprofit development programs.”

Differences in Traditions of Philanthropy

This sort of assumption that only the state can, or should, deliver basic needs, is in contrast to the U.S. environment in which there has long been a distrust of government intervention and a tradition of public initiatives and philanthropy. But the case studies also highlight the way in which there is increasing interest in and reliance on the Third Sector, even in those countries in which the state has traditionally been the dominant provider. Nevertheless, in many countries, organizations aiming to develop community foundations face critical challenges.

The Importance of the Legal and Fiscal Framework

One challenge emphasized in several case studies is the lack of appropriate legal forms and associated tax incentives for community foundation formation.

Understanding the Concept of a Community Foundation

Another major challenge, even in an otherwise favorable environment, is lack of understanding of the concept and benefits of a community foundation.

Given the political and economic environments outlined above, most community foundation support organizations emphasize the importance and advantages of community foundations as apolitical, independent organizations.

The Benefits of Community Foundations

The SAGA case study describes a particularly difficult environment characterized by significant racial and political divisions. However, SAGA's analysis of the potential benefits of community foundations could apply equally well in other countries:

SAGA's Analysis of the Potential Benefits of Community Foundations

Building bridges in economically and geographically divided communities will require engaging visionary leaders from all facets of community life. A community foundation can bring these leaders together to establish effective communication channels, identify shared values and expectations, craft ways of working together, and build trust across racial, political and economic divisions.

Meeting massive development needs will require concerted action at both the national and local levels and involvement of government, business and nonprofit development organizations. A community foundation can help focus attention on local development needs, leverage new resources and encourage new alliances amongst key community actors. In addition, a community foundation can be a mechanism to consult with, and involve, poor and marginalised citizens in addressing local needs.

Assisting with growing demands on local government, as responsibility for the delivery of services has shifted from central government to the provincial and local levels. A community foundation can assist local government by helping identify emerging and changing needs in the community and by testing innovative and cost-effective ways to deliver services.

Sustaining the nonprofit sector in the face of a financial crisis as traditional sources of funding, primarily from international donors, have declined or shifted to other priorities; a less than favorable legal and tax environment, which limits the ability of nonprofits to raise funds from the public; and loss of skilled staff to the public and private sectors. A community foundation can help strengthen the financial and human capacity of local non-profits, and assist them in sustaining current programs and developing new ones.

Building on existing practices of giving and volunteering. A community foundation can recognize, nurture and encourage these existing practices and help stimulate the development of new forms of giving — of time, money and skills to address local problems.

Assuming community leadership. As a locally owned, locally controlled and locally financed entity, a community foundation can nurture local leadership and promote self-reliance, provide a forum for a variety of stakeholders to come to the table and discuss issues and options, and develop cross-sector partnerships amongst citizens, community groups, businesses, government, the media and other local players.

Serving as a conduit of knowledgeable and equitable funding to communities for individual donors, corporate and small- to medium-sized businesses, including government agencies.

In the South African environment, it was necessary to: raise community, business and government awareness of the community foundation concept; train members of the Boards of trustees to operate community foundations; lobby government to create an appropriate legal environment for community foundations; and position community foundations as conduits of funding and custodians of community funds.



III

Factors in the Development of Community Foundations

Despite the significant differences between the community support organizations and the environments in which they operate, some common themes emerge regarding the key factors in developing community foundations.

Building Understanding of Organized Philanthropy

Several case studies illustrate the fact that although some forms of philanthropic tradition exist, there is not a strong history of organized philanthropy and a culture of giving for social good by the wealthy. Encouraging giving by wealthy families and individuals appears to have great potential in many countries, but will take time and work to ensure that all stakeholders see the benefit of getting involved in this process.

Gaining Trust and Confidence

One of the initial problems community foundations face is that the concept is generally unfamiliar and, in addition, as emergent organizations, community foundations lack legitimacy. Even if people are familiar with the idea of giving to charity for problems here and now, they are likely to be less familiar with the idea of giving for the future.

Several case studies highlight the problem of gaining potential donors' trust and confidence to get started before there are any tangible results. Gaining the support of one or more recognized, respected, local figures willing to give financial backing is an important first step in encouraging others to give.

External challenge grants clearly play an important role in creating community foundation legitimacy and in encouraging others to give.

In an important sense, a community foundation has only one chance to get its public "birth" right and it is important to wait to launch the foundation publicly until there is some demonstration of real local support. A premature public launch may actually delay progress in the longer term.

The Role of Incubators

Starting a new community foundation requires time, financial and human resources, as well as organizational skills. A strong incubating organization and passionate pioneer can be invaluable, but the dangers of control and overdependence need to be recognized by both community foundations and support organizations. Several case studies highlight the dangers of dependence on one key figure or organization and the need for a broader base. Overdependence or over-identification with one person or organization can seriously limit the real or perceived independence of a community foundation. In addition, community foundations in their early stages are highly vulnerable to loss of a key supporter and Board changes.

Plans need to be put in place to consciously manage the changing relationship between a community foundation and its incubator / pioneer. Community foundations and their incubators and support organizations need to be open and honest with each other about their resources and commitments.

Ensuring Representativeness

Representativeness is another important, possibly essential, characteristic of an effective community foundation Board. The case studies suggest that the more divided a society, as in South Africa, for example, the more important this is.

Involving Business

Business involvement is also seen by some as crucial in developing trust and confidence in the business sector and encouraging corporate donations.

Building a Strong Board

Forming a steering committee can be a process of trial and error. In some case studies, early Board members came, but did not stay when they realized there was no money to be had in the short term. Involving a range of people—from business, the voluntary sector, and government—and clarifying and agreeing on mutual expectations early on are important.

In the early stages of a community foundation, all of those directly involved are likely to be working voluntarily (without pay), with other commitments, limited time, and often with an imperfect understanding of what is involved.

There is a limit to what Board members can be expected to do. In poorer and rural areas, some Board members may need help merely in getting to and from meetings and in establishing effective lines of communication.

One of the challenges of building a viable community foundation Board is to negotiate the power relations between stakeholder groups on the Board, including donors, business, nonprofit organizations and other community representatives to ensure a balanced partnership. Building a strong united Board requires dealing consciously with relationships and team issues and tensions in order to resolve any differences.

Local people involved in the community foundation need to be directly involved in designing and possibly even doing, or at least commissioning, basic data surveys and situational/needs analysis (if these are considered necessary). Without firsthand knowledge of and awareness of the community, foundation Board members are likely to be less than fully effective.

Doing Your Homework

The CMF case study provides the following list of questions Steering Committees and Boards need to ask themselves:

1. Do we know what is involved in starting up an independent community foundation (e.g., costs, legal requirements, time needed)?
2. Do we have, or can we get, the financial support needed to begin and operate an independent community foundation?
3. What are the foundations or other groups in our region we might ask for a challenge grant, support for technical assistance, initial operating monies, or mini-grants for special projects?
4. How will we define our “community” boundaries?
5. What is our community’s philanthropic tradition?
6. How strong is the sense of community in our area? Do individuals feel rooted to the extent that they will want to give something back to the community, even if they currently do not live here?
7. Do we have a sufficiently large population and enough wealth in our area to support a vibrant, growing community foundation?
8. Do we have a credible, well-respected community leader or group of leaders who are willing to commit to the community foundation and take this on with a passion?
9. Do we know about the different legal options for affiliating, and the advantages and disadvantages of each?
10. What community foundations are nearby that might serve as lead community foundations?
11. What are our community’s social, economic and political ties to each of the potential lead community foundations?

Professional Support

For this reason, professional support is vital until a community foundation has its own staff. However, community foundation support staff should be wary of “taking over” and pushing things too far or too fast. Support organizations need to consider the extent to which they should intervene directly to support community foundation initiatives that are struggling; whether embryonic community foundations should have to show they can do it themselves and/or how much and what kind of support is appropriate, and whether they have the capacity to provide individual support.

Gaining Financial Support: A Slow Process

Community foundation Board members need to be aware of how difficult, and slow, the process of gaining financial support is likely to be. The case studies highlight the need for community foundations to be constantly re-inventing themselves and coming up with new ideas and strategies to gain support. Furthermore, community foundations have to be constantly aware of the need to educate different audiences about the role and benefits of endowment. Starting a community foundation is one thing; keeping it going is quite another.



Board and Organizational Planning and Development

There is a need for ongoing Board development and regular (at least annual) review and planning workshops that deal with strategic, organizational, policy and team issues.

The Board of a new community foundation has a number of difficult but important tasks and decisions. Some of these are not once and for all decisions but need to be constantly reviewed and updated. The Board will need to make decisions regarding:

- Legal matters—Registration of the community foundation as a voluntary association rather than a trust. Why? What are the relative advantages and disadvantages? Support organizations have an important role to play here—advising on models, providing model documents and professional expertise to get through the bureaucracy, and lobbying for a more supportive legal framework.
- Strategic and operational planning, including policy regarding its role in development facilitation and development practice.
- Grantmaking policy regarding focus areas, and pro-active versus responsive grantmaking.
- Policy regarding conflict of interests, e.g., where Board members are involved in organizations or projects seeking grants.
- Effective communication (e.g., liaison via a public forum, use of the community foundation's patron, and mailing of a newsletter); fundraising and ongoing local and external acquisition of resource.
- Equal participation in meetings, and a chair to facilitate this.
- Understanding of and policy regarding development practice.
- Whether to act as a conduit and manager of a specific grant by an external funder. In the early stages there is a temptation to take on anything without thinking through the wider and longer term consequences for the identity and mission of the foundation.
- If necessary, contributing to rekindling of a widely shared vision in and for the local community.

- Facilitating real links and cooperation between better off and disadvantaged communities.
- Obtaining outside funding to employ staff and start operating.
- Developing local support and contributions, and innovative ways to achieve these.
- Beginning to make grants which will make a difference.

The Board will need to be wary of thinking too big, being too idealistic, and playing for stakes that are too high. The level/scale/type of development the community foundation is aiming to get involved in raises questions as to whether a fledgling community foundation, (or even a developed one) is an appropriate vehicle to fund the major development projects that business wants to fund. The business sector may want to rush the process to see immediate results. In the face of all these pressures, the Board needs to be constantly focused on developing a community foundation that concentrates on community foundation core business.

Critical Success Factors

The case studies suggest that critical success factors in developing community foundations include:

- ***Understanding of the Community Foundation Concept:*** In general, public understanding of the community foundation concept is low in all sectors. To be successful community foundations and those who support them need to actively promote understanding of the community foundation concept.
- ***Educating Donors and Others about Endowment:*** Because the advantages of endowment are not widely understood it is difficult for many to see the logic in giving for the future rather than to meet current needs. In order to be successful, community foundations/support organizations need to educate various audiences about the value of endowment building.
- ***Community and Stakeholder Participation:*** Community foundations need broad-based community participation if they are to establish credibility and legitimacy, have the knowledge to meet real needs, and obtain resources.

- **Representation:** Most successful steering committees and Boards are representative of the communities they claim to serve.
- **Links with the Business Sector:** Efficient steering committees have strong links with the business sector, while less efficient ones do not seem to have access to local/other sources of wealth that could be attracted by the concept of a community foundation.
- **Political Impartiality:** As several case studies suggest, community foundations need the support of local government organizations to establish themselves and to implement their action plans. But there is also a danger that government may wish to use their grantmaking capacity for political purposes, and thus place at risk the accountability, transparency and independence of the organization.

Inefficient steering committees appear to continue to perceive (even if covertly) the community foundation as a “political vehicle” and therefore cannot demonstrate its impartiality with any level of credibility. Conversely, successful steering committees demonstrate that they have crossed the political, and racial, divides.

- **Leadership and Commitment:** Steering committees and Boards with strong, visionary leaders seem to generate commitment from their teams and consequently show the best progress.
- **Infrastructures and Incubators:** Emerging community foundations are usually inhibited by lack of infrastructure. Support organizations and incubators play a crucial role in providing early infrastructure, without which new community foundations cannot get off the ground. It appears that the stronger the incubator, the more the steering committee is enabled and empowered to “get to the job done.” But at the same time, community foundations and incubators must know when to let go of each other, and how to manage that separation.
- **Strategic Positioning and Operational Planning:** In general, those steering committees/Boards who have, or are in the process of conducting, strategic planning exercises, also seem to be progressing faster in terms of organizing their operational processes.

- **Funding, External and Challenge Grants:** Early funding is essential for community foundations to establish credibility and demonstrate tangible results. Challenge grants mainly from international funders can provide the spur needed to get the ball rolling. For new or small foundations, a challenge grant provides essential credibility via recognition and support from a major outside foundation.

A challenge grant may also promote success insofar as it encourages strategic thinking, encouraging community foundations’ Boards to ask and answer questions about purposes and strategies. This sort of clarification may be of enormous value for new community foundations, as well as re-energizing established Boards by developing or reaffirming their shared vision and/or by engaging new Board members.

- **Legal and Fiscal Matters:** Successful community foundations have generally received considerable assistance in these areas. Support organizations can play a crucial role in providing support, advice and model documents, as well as lobbying for more favorable legal and fiscal frameworks.
- **Staffing:** It seems to be generally agreed that, at least, one half-time staff person (preferably full-time) is necessary for effective growth in the early stages of setting up a community foundation.
- **Capacity Building:** Successful community foundations engage in an ongoing process of capacity building. Community foundations need financial assets, but they also need effective Boards, skilled staff, organizational structures which support their grantmaking, donor service and leadership activities, sound investment practices, evaluation tools and processes to help them become learning organizations, and adequate technology with staff trained in its use. Support organizations play invaluable roles in providing services to encourage and enhance this sort of capacity building.

Support organizations also have a valuable role to play in encouraging networking and information sharing as powerful tools for building capacity. Annual conferences, learning events for Board members and staff (separately and/or together), computer users groups,



regular written communications, access to sample documents, and a website are some of the ways in which community foundations can be supported, and encouraged to support each other.

- **Technical Assistance:** Support organizations have an important role to play in providing technical assistance designed to meet a diversity of needs. Such assistance needs to be designed in the light of levels of experience of staff and trustees/Board members and for different sized foundations. A variety of methods need to be used, including: on-site consulting, seminars, retreats, conferences, telephone conferencing, video trainings, etc. Reaching Board members and other volunteers can be difficult because of their other time commitments.
- **Marketing and Shared Standards:** As CMF demonstrates, support organizations may also encourage community foundations in a nation, region or individual locality, to engage in joint marketing campaigns to promote wider public understanding of the concept of a community foundation. But joint marketing requires strategic decisions about levels of common identity and standards. If a joint marketing campaign is to be successful, community foundations have to be able to consistently deliver what is being offered or “marketed” to the public. The more that community foundations work together, the greater the risk to all if one does not operate according to the agreed upon standards. Community foundation staff and trustees/Board members all need to understand the connections between marketing, a common identity and standards.

IV Key Tensions and Challenges for Community Foundations and the Organizations Supporting Them

In addition to the specific tensions and challenges identified above, community foundations and their support organizations need to deal with:

- **The Opportunities and Threats of Strong Local Identity:** As several case studies demonstrate, strong local identity may be both a strength and a challenge. A sense of connection and responsibility to local communities is a strength. This connection to place and “community” extends to individuals who have moved away to work in other parts of the state or country

who retain ties through family and friends to the communities where they grew up and to tourists who may visit an area with some regularity. But strong ties to communities also pose a challenge insofar as many small towns each want to have their own independent community foundation, making it difficult for them to cover their operating costs, to meet standards, and to find ongoing local leadership from a small population.

- **Managing the Tension Between Local Ownership and Diversity:** Support organizations face challenges in overcoming perceptions of community foundations as “imported” models with little relevance to local situations. But insofar as local ownership leads to diversity, it creates opportunities and threats. As the EFC points out: “It is an opportunity because it reflects the great potential of the community foundation concept to adapt to different local communities over time. It is a threat because it may lead people to see the movement as lacking unity, and a common identity. The different stages of development, and the different models of community philanthropy that are being pursued in Europe, are an asset but also an obstacle, making our task more difficult in terms of representation of the overall interests of the movement.”
- **Serving Members and Acting as “Gatekeepers” of Resources:** Membership-based support organizations have to manage the tension between being membership driven and serving as an intermediary for grants to community foundations from national funders (particularly government).
- **Finding Sustainable Funding for Ongoing Development:** Both community foundations and support organizations face the challenge of securing sustainable funding. Several case studies suggest that the more services and help support organizations have provided, the greater the challenge to sustain these when initial development funding expires. These dilemmas may be particularly difficult for support organizations to manage if they have provided services free or well below cost in the early stages of developing community foundations.

Sustainable funding for community foundations is important for at least two reasons. First, new community foundations are fragile and may not survive if support is withdrawn. Second, development of community foundations is an ongoing process. New and established community foundations need to be constantly

building, maintaining, and strengthening their capacities. They need to develop strong processes for continuous learning if they are to continue to grow and remain at the cutting edge of philanthropy.

- **Preventing Staff Overload:** Finding sustainable funding is closely related to the dangers of staff overload and burn-out illustrated in several case studies. This is true for both community foundations and the organizations supporting them.
- **Being Flexible About Endowment Building:** The North American model of community foundations emphasizes the importance of endowment building as a primary goal of community foundations. Many support organizations and funders have adopted this model for application in other societies. But in the early stages of a community foundation, it may be difficult to create credibility unless the organization is seen to be producing some relatively tangible benefits. Furthermore, in many Central and Eastern European countries, the lack of a stable financial market, or the absence of an equity market, or a weak and conservative banking sector, or restrictions on investment of charitable assets, do not provide many opportunities for professional investment of assets. The sheer urgency and scale of current social problems in some countries may mean that endowment building is difficult for donors and others to comprehend. For these reasons, support organizations may need to be flexible in their approaches to endowment building and its place in the concept of a community foundation.

V **Conclusion**

The points above are brought to life in the individual case studies that follow. These profiles were designed to be read individually or as a collection, and stand equally well in either context. It is also expected that the case studies will hold useful insights for philanthropic support organizations of all kinds, their funders, as well as others active in the philanthropic field and the broader Third Sector.

During the development of the case studies, those working on the project heard several times that a global project of this kind was rare and bound to be plagued by logistical problems, communications barriers and other challenges. Although challenges were encountered along the way, the project's original goals and outcomes were achieved, and, amazingly, achieved on time. WINGS-CF is grateful for the active and enthusiastic participation of the eight organizations represented here, as well as the working group and additional readers who helped to shape the final profiles.

VI **WINGS-CF Case Study Working Group**

The Case Study project was guided by a Working Group composed of the following:

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Academy for the Development of Philanthropy (ADPP)



This case study includes a focus on the staffing of this philanthropic support organization, as well as its Local Philanthropy Development Program.

I *The Whole Organization*

Background

The Academy for the Development of Philanthropy (ADPP) in Poland was created in 1998. It was developed by the same group of people who had implemented the three-year support program for Polish non-governmental organizations (NGOs), the Democracy Network Project, financed by the United States Agency for International Development (USAID), and implemented by the Academy for Educational Development (AED).

Mission and Objectives

The mission of the Academy is to improve the quality of life in local communities by restoring philanthropic traditions, and developing new models and approaches to philanthropic activities in Poland. It aims to do this by:

- Creating opportunities for resolving problems;
- Increasing business involvement in pro-bono activities;
- Promotion of the benefits resulting from charity; and
- Supporting philanthropic initiatives.

The Academy defines “philanthropy” as the provision of moral, in-kind and financial assistance to initiatives, organizations and other institutions of public benefit, focused on community development.

The Academy has three complementary areas of work supporting the development of philanthropy:

1. *Local Level*—creating local philanthropic organizations (community foundations, grantmaking organizations and locally-supported organizations); promoting pro-bono attitudes among local business circles;
2. *National Level*—promotion of philanthropy, through, for example, the Benefactor of the Year Competition; and changing unfavorable legal regulation related to pro-bono operations;

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3. *International Cooperation*—exchanging experience and facilitation of contacts between philanthropic organizations from Poland, European Union and Central and Eastern European countries, as well as American organizations.

The Local Philanthropy Development Program, which assists the development of community foundations, is only one element in promoting philanthropic activities; other programs also contribute to this goal. Frequently programs and operations overlap and complement one another; for example, the international cooperation program involves looking for resources for community foundation development, methods of fundraising, promoting and managing community foundations. Another example of overlap is the annual *Benefactor of the Year Competition*, which is an excellent method of promoting and attracting donors and volunteers. Similarly, *Presentations for Business Circles* have sometimes led to companies establishing local coalitions for creating community foundations; and the goal of the *White Book of Philanthropy* is to improve legal regulations related to charity work in Poland, including community foundations.

Financial Resources

The Academy's total expenditure from April 1998 to June 2001 was US\$1.85 million on program costs, and a further \$1.96 million on administration. The three major expenditure heads within program costs are: funds for community foundations and other nonprofit organizations (25 percent), funds for community foundation endowment (24 percent) and salaries and wages (14 percent).

Between April 1998 and June 2001, the Academy received total income of just over US\$2.5 million. The bulk of this came from two Polish foundations and various U.S. donors.

Staffing

The Academy employs seven full-time and one part-time staff members, as well as an accountant on a temporary contract. Administrative duties are performed by three employees who also work as program officers. The responsibilities of individual members of the staff team are detailed later in this case study.

Governance

ADPP's Management Board is made up of three members: the ADPP's President of the Board and Program Director; the Executive Director; and a representative from The Support Office for the Movement of Self-Help Initiatives, BORIS.

The Audit Committee—which meets once a quarter, supervises activities of the Management Board, and presents a report to the General Assembly—is made up of the former Deputy Minister of Labor and Social Policy; a lawyer; and a sociologist at the Polish Academy of Sciences.

The Community Foundation Development Board meets every three months and is composed of the Director General, Policy & Action Group; the Director, Public Opinion Research Centre – CBOS; a lawyer; the Director, Support Office for the Movement of Self-Help Initiatives, BORIS; director, AED Washington; a consultant, Development Alternatives Inc.; a member of the Management Board of Stefan Batory Foundation; Director, Local Democracy Development Foundation; and a representative from The Elektrim Foundation.

The General Assembly is the ultimate governing body of the Association. It meets at least once a year, and gives a vote of approval to the Board on the basis of the report presented by the Audit Committee. The General Assembly is composed of 22 members—individuals from various sectors, including non-governmental organizations, universities (e.g., Warsaw University), business circles (law offices, e-companies), the media (nationwide daily *Gazeta Wyborcza*) and public administration.

Membership

According to the bylaws of the ADPP's statute, *any person of age who is a citizen of Poland or a foreigner—even a foreigner who is not a resident of the Republic of Poland, but who gives a warranty of appropriate fulfillment of obligations and who presents recommendations from at least two members of the Association and submits membership declaration—may be appointed an ordinary member of the Association*. Legal entities may be appointed supporting members of the Association. In order to become a member of the Association, the candidate must be approved by the Management Board of the Association.



II

The Environment

Economic and Political

Following the restructuring of the Polish economy, begun in 1989, more than 60 percent of national income comes from the private sector, and 60 percent of the work-force is employed in that sector. Economic development is very uneven, with many regional differences. There are huge differences, for example, between the capital, Warsaw, and the provinces.

Despite growing privatization and modernization of the economy, the level of poverty in Poland is very high. The average Pole is three times poorer than the average citizen of the poorest country in the European Community. Over 7 percent of society still lives below the poverty level (in rural communities the percentage exceeds 10 percent). Approximately 50 percent of Poles have insufficient means of subsistence. One out of two people living in extreme poverty is under the age of 19 and one in three is a child under 14. Poles are becoming more and more stratified in terms of wealth. In most cases, poverty affects families in small towns and villages, and families of the unemployed face the highest risk of being poor.

In addition, people living in rural areas generally have poor access to education and health services. Those living in communities most affected by the dismantling of the state-owned farm system in northern Poland are in the worst situation. Households living along Poland's eastern border also face great difficulties, since the level of urbanization, industrialization and infrastructure in these regions is exceptionally low. Unfortunately, there are no measures of hidden unemployment, which is estimated to be huge in scope. Frustration and apathy exacerbate the problems of alcoholism in Polish society. Some 1.8 million Poles abuse alcohol, a situation that is particularly bad in the northern and eastern parts of Poland.

The period after World War II (1945-1989) was very unfavorable to the development of charitable activities and civic activity. In 1952 the property of all foundations was taken over by the state. Lack of autonomous local government, as well as state domination of the nationalized economy, deprived citizens and local communities of any influence on development. Although some organizations managed to create interesting social programs, there was little enthusiasm for social involvement. Formal social

organizations operating in this period, (e.g., the Polish Red Cross, Polish Committee of Social Assistance) were in effect governmental agencies, deprived of the power to define and resolve social problems independently of government policy.

The period of the Third Republic (from 1989) opened a new chapter in the history of Polish charity and philanthropy. The democratic system led to questioning of the socialist welfare state with its monopoly on activities for social benefit.

Citizen organizations were formed in Poland in the 1990s, predominantly in the NGO sector. The sector became an arena for integration of Polish society. Membership of voluntary organizations increased systematically, rising from around 5.5 percent of the population at the beginning of the 1990s to around 25 percent in 1999 (Glinski and Palska; Les and Nalecz; CBOS 1998; CBOS 2000; Korali Pur-Rahnama; IFIS 1999). However, more recently there has been a gradual decrease in citizen involvement in NGO's.

In Poland the free market and private business sectors are as new as the Third Sector. There are currently around 2.6 million private firms and still 78,500 state-owned companies.

Legal and Tax Frameworks

In the 1980s and 1990s, a new legal environment for the Third Sector in Poland was created. Among the most important legislative acts was the 1984 bill that restored foundation activity. Another bill in 1991 removed administrative restrictions and registration procedures were handed over to the courts. Similarly, the Law on Associations passed in 1989 gave people the right to freedom of association.

Income tax breaks are regulated by the Personal Income Tax Act (1991) and Corporate Income Tax Act (1992). Donations to organizations operating in fields mentioned in the bill (charity, public security, environmental protection, education, culture, sport, health protection, social services, rehabilitation) attract 10 percent or 15 percent tax breaks. Income of foundations and associations, whose statutory goals include educational, scientific and cultural activities (and others included in the Act) are tax free, but only on that part of expenditure allocated to these goals.

Many laws are still unfavorable to NGOs and philanthropy. These include: unfavorable Value Added Tax regulations related to in-kind donations, and the restriction of investments to bank deposits. Using other methods of financial investments (shares, bonds) attracts a tax on invested resources.

Attitudes to “Philanthropy” and “Foundations”

With the development of private enterprise business, entrepreneurs started to support charitable goals. Business giving takes the form of voluntary donations and patronage of culture, art, and sciences, as well as sponsorship and social marketing. Research conducted by the SMG/KRC Poland, covering 250 big companies, showed that 85 percent of surveyed firms supported charitable goals, half of them voluntarily. Half of the companies donated to charitable purposes 1 percent or more of their turnover per year, but no firm donated more than 10 percent. The research suggested that tax breaks encouraged neither business nor individual donors to support charitable purposes.

The history of philanthropy in Poland dates back to the twelfth century. Initially, it was the domain of royalty, and later of noblemen, landowners and the bourgeoisie. Polish philanthropists equipped libraries; funded houses for single mothers, orphanages, homes for the blind; established charities; funded scholarships for university students; and funded churches, schools and other institutions of public benefit.

There were also predecessors of community foundations. Until World War II, they financed social and cultural activities by establishing “perpetual cause” funds, provided that interests on the capital were allocated to the charitable purposes determined by the donor.

Tradition of Voluntary Organizations

Charitable bequests were often motivated by patriotism. They contributed to preservation of the cultural heritage in the difficult period of partition (from 1795 to 1918 Poland was conquered and divided by Germany, Russia and Austro-Hungary and did not exist as an independent country).

At the beginning of the 1990s, with major civic and political transformation underway in Central and Eastern Europe, the Polish NGO sector developed dramatically: of the 50,000 NGOs currently operating, 98 percent were registered after 1989. However, this involvement was concentrated in big cities (20 percent of all organizations operate in Warsaw, the country’s capital). In small communities resistance to getting involved in social activities was much stronger. Initiatives concentrated on social services and health care, while areas like community involvement, formation of coalitions, building sustainability on the basis of local resources, and protection of cultural heritage were often neglected. The withdrawal of foreign financial resources and changing local needs led to a decrease in the operations of many local NGOs, and only 20,000 organizations are now active. In recent years, a number of corporate foundations involved in grantmaking activities have been established (e.g., The Leopold Kronenberg Banking Foundation), as well as grantmaking organizations using foreign and internal resources (e.g., Stefan Batory Foundation). But these have a national focus and cannot be a substitute for local sources of finance for civic activity.

III **Developing Community Foundations**

Background

When the Academy looked at the development of local philanthropy in Poland, it was felt that community foundations had a number of special attractions in the Polish context, including:

- Listening to donors and analyzing local needs;
- Creating capital endowment;
- Being linked to a specific place;



- Combining small donations and improving the efficiency and scope of assistance offered;
- Combining ideas and visions for community development;
- Transparency, openness, credibility and political independence; and
- Informing the community about donors and programs.

Before launching the program to establish community foundations, the Academy had commissioned a feasibility study of creating institutions of that type in Poland. The survey was held in the winter of 1997-1998 in four small and medium-sized cities. The feasibility criteria included: support of local residents for the idea of establishing a community foundation; commitment and resources for cooperation between business, NGOs and local government; and the possibility of collecting the necessary financial, human and organizational resources.

The main obstacles to community foundation formation were identified as:

- Underdeveloped business sector with little capital;
- Lack of clear guidelines for cooperation between NGOs and local governments;
- Withdrawal of foreign financial resources;
- Limited possibilities of investing capital endowments in the form of bonds or shares—the only possible investment method was (and remains) bank deposits; and
- Political conflicts within communities.

On the other hand, various factors favorable to community foundation formation were identified:

- Demand for donor-oriented organizations focused on solving local problems through grants to meet social needs.
- Donors' demands for programs that would solve their problems with requests for financial support; provide feedback information on results of supported programs, provide financial accountability; and create mechanisms facilitating philanthropic activities.
- Huge potential of local environments and eagerness for self-organization.

The study concluded that community foundations could be established and grown into significant institutions, playing a

meaningful role in all four of the towns studied. The idea of establishing community foundations was approved by local governments, business people and NGOs.

It was agreed that community foundations would need a supporting organization which would provide them with training, technical assistance and specialist know-how. Additionally, the goals of the support organization would include: promoting community foundations at the state level, and lobbying aimed at changing legal regulations and government policies unfavorable towards community foundations.

In early 1998, the Community Foundation Development Board identified 17 communities eager to create community foundations. Representatives of these communities were given comprehensive training by American and Polish experts in the following fields: concept and functioning of U.S. community foundations, local leadership, grant systems, introduction to marketing, community foundation marketing, fundraising, legal and financial aspects of community foundations operations, and investment policy and practice. Additionally, the trainees took part in ten-day study visits to the United Kingdom and the United States to learn more about the functioning of strong community foundations in other countries.

During the training course, representatives of the 17 communities prepared (in cooperation with local partners) three-year strategic plans that were then submitted to the Academy to be evaluated by the Local Philanthropy Development Board. The Board approved 14 strategic plans, which meant that 14 community foundation candidates were admitted to take part in the Program (later on, in the course of Program implementation, two of the groups decided to withdraw.)

From the outset, the Local Philanthropy Development Program assumed that, in the interests of community foundation sustainability, it would be better to support a small number of stronger organizations than disperse resources among many weaker institutions. Funding via ADPP was restricted to matching funding in order to stimulate local fundraising and strengthen community foundations as local institutions.

Community foundations now operate in 12 Polish localities. Their operations cover diverse areas, ranging in population from 16,000 to two million. The total population covered by community foundation operations is around 4.9 million, which constitutes 13 percent of the population of Poland.

Resources, Aims, Activities and Achievements

The three-year budget of the Academy for the Local Philanthropy Development Program is US\$1,231,844, allocated as follows: operational costs—\$144,156; training for community foundations—\$387,688; co-financing operational costs of community foundations, grant programs and capital endowments—\$700,000.

The Local Philanthropy Development Program has been supported by USAID, the Stefan Batory Foundation (Polish chapter of the Soros Foundation), Charles Stewart Mott Foundation, Rockefeller Brothers Fund, Skoll Fund (Silicon Valley Community Foundation, United States), and the Ford Foundation.

As part of the program of creating community foundations in Poland, the Academy translated into Polish a manual on starting and developing community foundations which was distributed to all organizations involved in the Program. During the Program the Academy edited other manuals on different aspects of community foundation functioning. These included: *Community Foundation—A Remedy for Donor's Concerns and Struggles of Public Organizations; Capital Endowment*, describing the potential for creating capital endowments in the Polish legal environment; *Donor's Handbook*, presenting ways of making donations and tax breaks related to charitable donations; *Non Omnis Moriar*, dealing with how to make a charitable bequest; *How to Prepare a Fundraising Plan: a Handbook for Foundations and Associations*. The Academy also plans to publish a series of manuals devoted to various aspects of community foundations' functioning, based on Polish experience. Manuals are distributed to communities interested in establishing community foundations.

In 1999, the emerging community foundation network participated in internal training courses held in community foundations' local areas and in Warsaw. Training sessions covered: preparing a strategy for development, analyzing local needs, marketing strategies, cooperation with local governments and business, legal and fiscal aspects of creating community foundations, establishing and managing capital endowment, cooperation with media, implementing grant and scholarship programs, monitoring and evaluation. Additionally, participants were able to exchange experiences.

In 1999, the Academy also launched a support program which included financial support for operational costs, capital endowments and first grant programs. The support program also provides:

- Advisory assistance, training, and consultations with experts, combined with financial support;
- Organizing and facilitating meetings with experts (lawyers, judges of Registration Courts, investment specialists, foreign community foundation experts);
- Providing sample documents, manuals, computer programs, specialist literature on fundraising methods and implementing grant programs;
- Assistance in preparing long-term development strategies;
- Assistance in organizing regular meeting and training sessions enabling exchange of information and experiences;
- Editing a bi-weekly bulletin which reports on the development of all community foundations in Poland and provides information on finance, legal regulations and other aspects of community foundation activities;
- Matching financial support, dependent on local fundraising;
- Promoting the community foundation network and the idea of philanthropy on the national and international level;
- Facilitating contacts and direct cooperation with foreign institutions, i.e., through editing and broad distribution of the community foundation network promotional brochure (Polish and English language version);
- Assistance in drafting community foundation operational standards and sustainability indicators;
- Maintaining direct, frequent contact with people responsible for community foundations;
- Monitoring community foundation development and providing feedback information to the network members; and



- Ensuring access to computer networks and a system of efficient coordination of operations and exchange of information (e-mail, internet, information bulletin, regular meetings).

By mid 2001, the Academy had distributed among the network members around US\$686,462. Some \$72,500 of this has been spent on grant and scholarship programs, around \$120,175 on operational costs, and around \$493,788 to capital endowments. Network members managed to raise locally a total of \$757,338. Of this, \$86,982 was for grant and scholarship programs; around \$122,500 was for operational costs, and \$538,713 was for capital endowments. These amounts illustrate the scale of success of the network in raising funds locally.

The Academy's staff team is responsible for delivering various aspects of the activities outlined above. Specifically, staff members have the following responsibilities:

The **Program Director** has been with the Academy since 1998 and is responsible for:

- Developing the Local Philanthropy Development Program and its implementation, including activities relating to office and finance management;
- Liaising with the media, current and potential sponsors, the Audit Committee of the Academy and the Council of the Community Foundation Development Program;
- Project strategy development;
- Drafting work plans and project performance reports;
- Supervising the process of community foundation selection;
- Assisting with preparation of fundraising programs and strategies, marketing plans, endowment fund management, and promoting new community foundations;
- Tax counseling for potential donors;
- Organizing seminars and training sessions concerning philanthropy;
- Organizing community foundation-related workshops and conferences for local government representatives.

The **Executive Director** has also been with the Academy since April 1998. The Executive Director is responsible for:

- The Local Philanthropy Development Program, including local needs analysis, advising local communities on legal and organizational aspects of establishing community foundations, working with business donors, and local government;
- Assisting community foundations in drafting strategic plans, action plans, grant programs, as well as day-to-day management, including the creation of community foundation councils;
- Managing the procedure for community foundation selection, and candidates receiving capital endowment funds;
- Drafting grantmaking procedures, and coordination of the grant program;
- Creation and maintenance of systems to measure/ assess action results, for monitoring and evaluation;
- Drafting the monthly information newsletter for community foundations;
- Coordinating the "Act Locally" grant program, supporting civic initiatives and NGOs whose activities are focused on the benefit of local communities;
- International cooperation as a member of the Advisory Council of the Community Exchange Fellowship Program, and representing the Academy as part of the Transatlantic Community Foundations Network.

The **Training and Counseling Program Coordinator** is responsible for:

- Coordinating assistance programs to Poland (PHARE, USAID);
- Drafting and implementing training programs and counseling assistance in fundraising, planning, management, and cooperation with the local government; and
- Coordinating the drafting and publishing of the White Book of Philanthropy, a comprehensive analysis of the legal environment related to operations of Polish NGOs with recommendations for the future.

The **Financial Manager** is responsible for:

- Financial management and reporting for ADPP;
- Financial monitoring of community foundations; and
- Training and counseling services in accounting and financial reporting for local philanthropic organizations.

The **Senior Local Development Specialist** is responsible for:

- Advising communities on legal and organizational aspects of establishing community foundations;
- Assisting community foundations in drafting strategic plans, action plans, grantmaking programs, and day-to-day management, including creation of community foundation councils;
- Cooperating with centers establishing community foundations, drafting grantmaking procedures;
- Creating and maintaining systems to measure/assess action results, for monitoring and evaluation;
- Drafting the monthly information newsletter for community foundations;
- Implementing the scholarship program of the Stefan Batory Foundation; and
- Filing financial documents, cooperating with the accountant and ADPP's treasury.

The **Information and Promotion Specialist** is responsible for:

- Drafting and distribution of information and promotional materials and Academy publications
- Library management and maintenance;
- Translating documents;
- Drafting annual reports and ADPP's correspondence; and
- Organizing promotional events of the Academy (*Benefactor of the Year* competition, etc.).

The **Information and Promotion Coordinator** is responsible for:

- Drafting promotion campaigns and cooperation with the media;
- Organizing the Benefactor of the Year competition and other promotional events;
- Designing and updating the Academy website;
- Preparing multimedia presentations and designing the graphic layout of Academy publications; and
- The ADPP's computer network.

The **Receptionist**, a university student, is responsible for:

- Managing the Academy Secretariat, and staff and administrative matters;
- Dealing with the *Act Locally Program*, monitoring and preparing informational materials.

ADPP staff members have taken part in various training sessions within Poland, as well as study visits to the United States and the United Kingdom to learn about the functioning of selected community foundations.

IV *Key Tensions and Challenges*

Tensions/Challenges Inside the Organization

The mid-term evaluation of the Community Foundation Development Program revealed a number of tensions and challenges for the Academy in its work with community foundations. The Academy needs to do some preventive investment in its own institutional development to avoid the danger of staff burnout due to workload and pressure. It should consider growing its staff team both in terms of numbers and capacities. Some possibilities include:

- *Adding at least two new staff members* to the team and planning their capacity building through in-house training or community internships.
- Developing a section in the *human resource development strategy*, matching the needs of the organization and ways to motivate the team members.



- *Investing in training* of team members, based on personal development plans, including language and professional training, exposure visits and study tours.
- Planning more structured time to think together, as a *self-learning organization*. Regular self-assessment meetings and issue-based discussions building the institutional memory of what works may be helpful.
- *Developing a framework of indicators* for the Academy as an effective national support organization to serve as the basis for regular monitoring of work. Local partners should participate in this monitoring, providing the Academy with feedback on its effectiveness.
- Based on the above, individual capacity development plans should be designed. These would serve as background for updating the training and technical assistance program.
- Community philanthropy should be extended to more communities. The Academy should carefully plan how to expand strategically in this direction. It should not add new communities before 2001; by then already strong local partners will be able to play the role of co-developers, hosting interns and study visits from newly emerging groups.

Tensions/Challenges in the Wider Environment

The mid-term evaluation of ADPP activities also concluded that:

- The Academy should support existing community foundations for two to three years after the current program is over. If the program were dropped completely after 2001, some community foundations might survive, but most would be vulnerable, thus slowing down demonstration of working practices.
- Support in the next three-year phase should be linked to the development and achievements of each community foundation. It should be flexible and challenge-based. There should be a clear and jointly negotiated withdrawal strategy of decreasing support with the growth of local organizations' capacities to manage on their own.
- Helping each community foundation to develop its own index of maturity, with realistic targets for resource development in the next three years, within the framework of a longer-term ten-year perspective. It should include desired results and vision in the three key areas of institutional growth: internal development (democratic structure and culture, human resources, good administration and procedures, etc.); resource development (endowment, operational costs, programming) and leadership community roles (partnership and coalition building around community issues, effective support to community initiatives, and activating the community, etc.).
- The Academy should intensify national promotion work. This will require new focus on the work of the community philanthropy network. Community foundations should be encouraged to act as strategic partners in all aspects of national promotion. The network could be a very powerful tool in advocacy at the national and regional level, mobilizing partners nationwide. Improvement of tax regulations and reducing the bureaucracy for registration of foundations should be special targets.

The Baltic-American Partnership Program (BAPP)



This case study includes a focus on researching the feasibility of introducing the community foundation model to Latvia.

I *The Whole Organization*

Background

The Baltic-American Partnership Program in Latvia was established in 1998. It is funded by the Baltic-American Partnership Fund (BAPF), which, in turn, is funded by the Open Society Institute (OSI) and the United States Agency for International Development (USAID). In each Baltic country, sub-grantees were selected to implement the Baltic-American Partnership Fund programs by USAID prior to the inception of BAPF. The Baltic-American Partnership Fund sub-grantee in Latvia is the Soros Foundation-Latvia, a national Open Society Foundation (OSF) in the Soros Foundation network. The Soros Foundation-Latvia (SFL) has established a Baltic-American Partnership Program, advised by a local expert council and managed by a program director.

Mission and Objectives

The Baltic-American Partnership Fund supports the continued development of democratic institutions and market economies in Estonia, Latvia and Lithuania by enhancing the civic engagement of the populations, and by increasing the capability of and opportunities for citizens to participate effectively in political and economic decision-making.

The Baltic-American Partnership Program-Latvia provides support for:

1. Institutional development and operational activities of NGOs (non-governmental organizations);
2. Initiatives that are designed to strengthen the legal and regulatory environment in which NGOs function and that enhance public awareness of the role and value of the sector;
3. Initiatives that provide skills, opportunities and mechanisms for citizens to effectively participate in decision-making at local and national levels;
4. Initiatives that promote the development of local philanthropy, including development of various models of community philanthropy.

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WINGS-CF, November 2001

Financial Resources

The BAPP Latvia annual program budget in 2001 was US\$500,000. Approximately 15 percent was allocated for initiatives that strengthen the legal environment and infrastructure, in which NGOs operate. Approximately 60 percent was allocated for institutional and project support of NGOs, and 25 percent for initiatives that strengthen citizen engagement and development of local philanthropy.

Staffing

BAPP Latvia has two staff members: a Program Director and Program Assistant.

Governance

The Baltic – American Partnership Program has a complicated decision-making and funding system that, despite many layers, functions very well.

The activities of the Baltic-American Partnership Fund are managed by an independent Board of Directors made up of seven Board members and two ex-officio Board members, plus the BAPP Executive Director and the Program Assistant. The Board of Directors decides the strategic directions of the Fund, approves the annual program plans and allocates funding for sub-grantees in the three Baltic countries.

The Soros Foundation–Latvia (SFL) is the Fund’s sub-grantee in Latvia. The Soros Foundation–Latvia is managed by a Board, consisting of seven people, and is headed by the Executive Director. This board appoints the BAPP–Latvia Local Expert Council. The SFL Executive Director hires both the BAPP Program Director and the Program Assistant.

BAPP–Latvia Local Expert Council, supported by the BAPP Program Director, designs annual program plans, and makes decisions on program implementation and grant awards.

II *The Environment*

Economic and Political

Economic growth in Latvia in 2000 was in the area of 6 percent. Due to the policy of the National Bank, inflation in Latvia during the past decade has remained among the lowest in Central and Eastern Europe. In 2000 inflation

was 2.6 percent. Registered unemployment is fixed at 7.8 percent; however, based on studies of the labor market, the actual level of unemployment may be about 13 to 14 percent. In certain regions, especially in Latgale, the level of unemployment has reached 25 percent.

Despite achievements in some areas, there are growing differences between economically dynamic and depressed regions in the country, and between growing and stagnating areas of the economy. A major and long-lasting problem is the fact that rural infrastructure is very poorly developed, and there is only limited access to information and basic services in health care and education. According to surveys, only 1 percent of the population consider themselves wealthy, followed by 30 percent seeing themselves as middle class. The remainder of the population consider themselves poor. Poverty in Latvia is, however, “shallow” and ongoing economic development and consistent government policy should be able to overcome it.

Legal and Tax Frameworks

There are two types of foundations and NGOs in Latvia, and their work is regulated by two separate laws:

1. the Law on Civic Organizations and Open Public Foundations, and
2. the Law on Limited Liability Nonprofit Organizations. The tax treatment of NGOs, foundations and donations is provided in the respective tax laws, e.g., law on income tax, etc.

Latvian laws make it relatively simple to found and register NGOs in Latvia. On the other hand, the complicated structure of laws and specific clauses of these laws create a number of restrictions for NGO activities and do not promote further development of the NGO sector.

For example, the Law on Civic Organizations (CO) prevents civic organizations from engaging in systematic business operations, thus limiting their sources of funding. The laws do not differentiate between public benefit and mutual benefit NGOs, thus allowing misuse of tax deductions. Furthermore, the Ministry of Finance has no clear criteria for granting permission for NGOs to receive tax deductible donations.

The Law on Nonprofit Organizations applies to Foundations and NGOs that are founded as limited liability companies. This Law has been less restrictive of NGO business operations. However, the newly adopted Commercial Law does

not provide for a continuation of operations of limited liability nonprofit organizations. It was under this form of registration that NGOs whose annual income exceeded 10,000 Lats (approx. US\$16,000) could be registered. This situation threatens and may suspend activities of these limited liability Nonprofit Organizations, and at present Parliament has not drafted a new law that would replace the previous Law on limited liability Nonprofit Organizations. This is a real threat to the existence of a specific type of NGO in Latvia, but at the same time, is also a good opportunity to initiate changes in NGO legislation in the Parliament.

The existing laws provide insignificant tax benefits (with a complicated reporting procedure) for individual donors that do not encourage individual philanthropy in Latvia. Only one type of Latvian NGO and foundation is eligible to receive tax deductible contributions from individuals and companies. Current legislation provides that individuals can donate up to 25 percent of their taxable income tax free. Companies are allowed to donate up to 20 percent of their taxable income, and deduct 85 percent of the donated amount from their tax liability, but the procedures for requesting tax deductions are complicated. Laws do not hinder corporate donations where companies receive publicity, or other benefits, in return, at the same time receiving tax benefits for the whole donated amount.

An official government working group initiated by the BAPP Latvia and the NGO Center is drafting a new set of NGO laws. These include an “umbrella” law for NGOs, a Law on Foundations, a Law on Associations, and amendments in existing tax laws that will encourage local philanthropy. These proposed laws will define the status of foundations, and clear criteria will be provided for granting tax deductions for NGOs and donors, setting the criteria for defining public benefit and membership benefit organizations, and so on. New legislation will also make provision for preventing misuse of tax benefits and NGO status.

Attitudes to “Philanthropy” and “Foundations”

About 70 percent of all nonprofit income in Latvia comes from outside sources, such as international foundations, European Union, etc. Only a few local nonprofits are able to generate their income mainly from local sources (individual and corporate donations).

Latvia had a rich tradition of philanthropy during its first phase of independence (1920-1940). Now philanthropic traditions are developing anew. Recently, companies have begun to sponsor organizations and events; in addition to the benefits of publicity, the company receives tax benefits of 85 percent to 90 percent of the donated amount. But almost 60 percent of companies still perceive existing procedures for attaining tax benefits as hindering philanthropy.

In recent surveys companies mention several factors that influence their decisions on philanthropic donations.

The economic situation and the level of a company's profit play an important part in the ability of a company to donate.

Advertising and publicity are the main benefits companies look for in making donations. Moral satisfaction, feeling of moral obligation, and belonging to a community are mentioned by many small and medium-sized businesses as the most important reasons for philanthropy.

Many smaller companies provide donations in-kind. Tax benefits important to larger companies are of little importance to small and medium-sized companies that donate regardless of tax benefits.



Sports, social services, children, culture and education dominate among the fields that receive corporate support. Science, NGO policy work, and the environment are least likely to be supported.

There are few local foundations, although some companies have established their own grantmaking programs, and some larger companies are starting a dialogue about joint philanthropic efforts. However, companies that have donated money are concerned that NGOs and groups that have received their support express little public gratitude for companies' help.

Poverty and social/regional isolation are the main obstacles to individual philanthropy. The law does very little to encourage individual giving, and there is little public understanding of the existing tax benefits. On the other hand, there are good examples of individual giving based on strong charitable traditions. One example is renovation of the Freedom monument in Riga, mainly financed by individual and company donations.

III *Developing Community Foundations*

Background

In its first two years of activity, the Baltic American Partnership Fund and BAPP identified the need for further development of community-level civic engagement, as well as the introduction of models for community philanthropy. The *pilot participatory planning and community philanthropy project* aims to bring together citizens, local governments and local business representatives to define local problems and to raise local resources to address these problems. It is hoped that this will provide a viable basis for endowed community foundations in each of the Baltic states, including Latvia.

The short-term objectives of the project are to:

- Facilitate citizen, government, and business cooperation to address community needs in pilot sites;
- Facilitate community problem solving without dependence on government in pilot sites; and
- Build local expertise in participatory planning and community philanthropy.

Longer-term objectives of the project include:

- The development of pilot models for citizen, government, business communication and collaboration;
- Promotion of the concept of community philanthropy, as well as identification of potential models and structures—such as community foundations—which could support the further development of community philanthropy in pilot sites;
- Training of community and political leaders in pilot sites; and
- A base on which to build community foundations in pilot sites.

Pilot Participatory Planning and Community Philanthropy Project

The participatory planning and community philanthropy project seeks to increase civic engagement at the community level by bringing together community members, representatives from local NGOs, government and businesses to identify and discuss values, attitudes and issues which are of importance to the community as a whole. At a later date, the project will provide an opportunity for the participating communities to fund community initiatives which address the local needs identified in the earlier phase of the project.

The project is planned as a two-stage process taking place over approximately 18 to 24 months. The participatory planning phase of the project, lasting from nine to 12 months, will center on the convening of a series of community meetings to identify issues of local concern. Depending on the readiness of the communities selected to participate in the project, the first phase may also include other preparatory activities intended to stimulate community engagement and a better understanding of the overall objectives of the project (for example, training/workshops for key community leaders; and other, more informal community-building exercises).

The second phase of the project, lasting nine to 12 additional months, will focus on the development of community philanthropy in the selected sites. This will be largely through the establishment of grantmaking committees within community organizations responsible for selecting and funding community projects which address the local issues identified through the community meetings.

This program will take place in a total of six communities—two communities in each Baltic country. In each location, a community organization will be selected to implement the project. The community organization will organize and conduct the community meetings. At a later stage, it will also be responsible for the establishment and oversight of the grantmaking committees for support of community projects, as well as for securing local funding which will be matched on a one-to-one basis by the BAPP in each country.

The community organization will be responsible for the majority of the project's work on the ground, but will require the facilitation, guidance and oversight from two additional organizations, one domestic and one international. The domestic organization will be a Baltic national NGO support organization and the other will be a consulting group with expertise in community organizing from North America or Europe.

Roles of the Organizations Involved

Community Organization

The community organization will bear primary responsibility for bringing local actors (residents, representatives from NGOs, government and business) together in dialogue, via a series of community meetings that it will organize and conduct with ongoing assistance of the national support organization and project consultant. The community organization will also be responsible for raising funds and for establishing a grantmaking committee to allocate these funds to community projects that reflect the local needs identified through the series of meetings.

The community organizations will be selected on the basis of the following:

- Close ties to the community;
- Headed by strong, recognized community leaders with ties to business and government;
- Capacity for local coalition building;
- Ability to show letters of support from local governments and business;

- Ability to demonstrate commitments of US\$5,000 to match BAPP funds for a small grants fund; and
- Financial capacity and transparent financial mechanisms.

Two communities have been selected so far: Talsi, a town with 13,000 inhabitants; and Lielvarde, a town with 5,000 inhabitants. Both towns have strong community organizations and traditions of citizen involvement in community life.

National Support Organization

Each BAPP will select a Baltic national support organization to work with the project consultant to facilitate the project in both of the country's two sites. The national support organization should have some experience in community outreach activities. Each of these organizations will designate representatives to be project managers who have worked as facilitators in the past, and can plan meetings and strategy sessions within the communities. The support organization representatives will attend and eventually begin to facilitate the community meetings and will closely monitor the program's progress with oversight from the project consultant. It is expected that the support organization representatives will learn from this hands-on training and from the expertise of the project consultant, and will be able to duplicate this project independently in other parts of the country in follow-on phases of the project.

In addition, since one of the long term goals of this participatory planning/community philanthropy project is to build a base for the establishment of community foundations in the pilot sites, the national support organization will be expected to demonstrate the capacity to play a primary support role for community foundations in the future.

The NGO Center in Riga has been selected for the position of National Support Organization. The NGO Center is a strong institution with established administrative structures, premises, and staff. It is the BAPP's primary partner in the NGO legislation initiative and in the popularization of philanthropy. It has previous experience in conducting training programs for NGOs. NGO Center has established



close links with companies and other foundations willing to support the NGO sector and development of local philanthropy. The Center is already working on development of community foundations in Latvia.

Project Consultant

The project consultant will assist the national support organization in selecting the community organizations and evaluating potential pilot sites, and will develop an 18- to 24-month implementation plan for the project. In the first phase of the project (participatory planning), the consultant, together with the national support organization, will assist the selected community organization in evaluating the various actors in the community (business, government and NGOs), identifying potential leaders, facilitating preparatory community engagement activities if necessary, and finally organizing and convening a series of community meetings.

In the second phase of the project (community philanthropy), the consultant, together with the national support organization, will provide strategic guidance and technical assistance to the community organizations as they set up grantmaking committees and engage in the process of funding community projects. In both phases of the project, the consultant will be expected to help develop training materials which could be used by the national support organizations in carrying out participatory planning/community philanthropy activities elsewhere in the future.

In the first 12 to 18 months of the project, the consultant will make a number of site visits to the Baltics, and will work intensively with the community organizations and national support organizations in conducting the project's planned activities. However, it is hoped that in the final six months, the national support organizations and community organizations will have gained the knowledge and skills necessary to carry out the bulk of the project's work on their own, with the consultant providing strategic guidance and technical assistance only occasionally. The consultant will be responsible for ongoing planning, monitoring and reporting throughout the project, and will probably make at least one site visit towards the end of the project, in order to assess whether the primary goals (see above) of the project have been achieved.

The consultant will be expected to assist in the achievement of the project's primary goals: developing participatory mechanisms by which community needs are addressed, establishing models for community philanthropy, and training the national support organization representative to conduct future participatory planning and community philanthropy projects independently and in more locations.

The ANEI—Antioch New England Institute (Keene, New Hampshire, USA)—has been selected as the International Consultant for the project. The ANEI has eight years' experience of participatory planning and community philanthropy work in the United States, as well as internationally, including in Central and Eastern Europe.

Project Status – November 2001

A series of initial one-on-one community engagement meetings took place during the first three months of the project. These meetings involved the community organizations (COs) and individuals that represent a broad range of community groups, including businesses, NGOs, education, health and a wide range of social services. The purpose of these meetings was to build awareness and broad support for the project, and to get these people interested in participating in the future project. Community Forums have been planned for the spring of 2002 in both pilot sites and steering committees have been undertaking active work since November 2001. At the time of this report's preparation, the community organizations were preparing the Community Forum promotion activities and building support from community members.

The project consultant has provided a detailed manual on how to plan and implement the community planning Forums, and has conducted a seminar on participatory planning Forums for about 30 participants from the NSO, COs and community leaders from both pilot sites, as well as participants from other NGOs. After the completion of the pilot project, these NGOs, together with the NSO, will be able to implement the project's ideas in other communities.

Community Foundation Network



This case study includes a focus on the services offered to emerging, new and established community foundations by this national support organization.

I *The Whole Organization*

Background

The community foundation movement in the United Kingdom began in the mid-1980s from a joint Charities Aid Foundation (CAF) and central government initiative. CAF and the government set up the Community Trust Development Unit (CTDU) to make and implement plans for the establishment of community foundations in the United Kingdom. The Unit advised the Home Office, a major central government department, on grants to emerging community foundations, and funds totalling £100,000 a year for three years were distributed to six community foundations for administration and setting up costs.

In 1989, the CTDU was replaced by the Central Resources Unit (CRU), still within CAF and with a Community Trust Steering Committee. The terms of reference adopted by the CRU centered around four points:

- To serve and support a network of effective community foundations in the United Kingdom;
- To respond at the national level to the developing needs of the community foundation movement;
- To undertake national promotional activities on behalf of the movement; and
- To achieve through agreement the establishment of a viable network of community foundations.

By late 1991, the CRU achieved the fourth goal and left its parent body (CAF) to become the independent Association of Community Trusts and Foundations—now Community Foundation Network.

Mission and Objectives

Community Foundation Network's current objectives are:

- To promote the concept of community foundations throughout the United Kingdom;
- To increase coverage of the United Kingdom by community foundations;
- To support community foundations, providing a high quality service to members.

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WINGS-CF, September 2001

Financial Resources

For the year ending March 31, 2001, Community Foundation Network had total income of £629,248 and total expenditure of £564,110. A special grant of £1 million was also received for disbursement to community foundations in a project described below. (Note: as of November 13, 2001, 1 Pound Sterling = approx. US\$1.44.) Community Foundation Network, as its name suggests, is wholly devoted to serving the needs of its member community foundations and does not provide support to other foundations (which have their own association). All its resources are devoted to work on community foundation development and support.

For its first ten years, Community Foundation Network has had the support of the Home Office (national government) and the Charles Stewart Mott Foundation of Flint, Michigan, in the United States. Its total resources come from a variety of sources. The U.K. government has provided £20,000 per year for core costs, including contributions to the salaries of the Director, the Operations Manager and other posts. This contribution was increased to £25,000 for 2000-03.

In 2000-01, Community Foundation Network received support from a wide range of sources, including the core cost funding from the U.K. government. During the year, it received two grants from the Mott Foundation: £219,264 for general support and network development, and an additional £42,341 for development of London Community Foundation (the last installment of a three-year grant). Other donors include some U.K. charitable foundations, a private funder and several companies. The National Lottery Charities Board (now confusingly renamed the Community Fund) gave the first installment of a grant that will total £275,000 over three years for an information and electronic communications technology project.

Staffing

Community Foundation Network's staffing has developed considerably over the last ten years as the network has grown. In the early days, the organization had two part-time staff that grew to a full-time staff of three in the later 1990s. Recently, there has been significant expansion with the creation of the London Unit and the Children's Fund Local Network.

The rapid recent development of community foundations in the United Kingdom has put enormous pressure on Community Foundation Network. Staffing has been one

step behind demand until recently, and when new staff have been appointed, this has inevitably raised management, training and accommodation issues. Furthermore, the organization has begun restructuring its staffing in order to strengthen services to its members. The restructured staff team will be made up of a Director, with an Executive Assistant; two Assistant Directors, one focusing on Network Services and the other on Development, especially in relation to projects such as its information and communications technology project; a Network Development Officer working in the Midlands and North of England; an Information and Publications Officer; an Operations Manager; a part-time Finance Officer and an external communications consultant.

In addition, the London Unit (dealing with London community foundation development) employs a Development Director and a Research and Information Officer, with plans for two more part-time local development staff. This project will soon become a free-standing charity independent of Community Foundation Network. The Children's Fund Local Network is responsible for the three-year £70 million contract Community Foundation Network has recently entered into with the U.K. government, through which community foundations will make grants to local organizations working with poor and disadvantaged children and young people throughout England. In 2000-01, this program operated in 17 areas (about 40 percent of England). In that year, the project employed four staff members and increased to five as the number of areas covered by the Fund doubled in the next financial year.

Governance

Community Foundation Network is a membership organization serving the needs of its members—established community foundations and groups working to set up community foundations. The Board of Directors is composed of: six elected members from staff of community foundations; six members elected from boards of community foundations; and up to four co-opted members (who may be appointed from inside or outside the network, though all at present are from inside the network). It is considered important that some of the newer/smaller community foundations are represented on the Board; these smaller foundations are an important reference group.

The Board's core role is to develop and monitor the strategic plan. It also considers applications for member-

ship and development grants of up to £3,000 or up to £5,000 to support new and established community foundations. The Board meets quarterly. Meetings of the Finance and General Purposes Committee are held between Board meetings to deal with any urgent issues, to consider policy issues before they are decided on by the full Board, to develop budgets and to scrutinize management accounts.

Membership

Community Foundation Network has 65 members, almost equally divided between *full Members*—community foundations that fulfill the membership criteria of a core definition of a community foundation, plus evidence that endowment building has started and is a key goal—and *Associates*, and *Friends and Supporters*. In the past, there was no distinction between Associates—emerging community foundations—and supporters. This distinction has been introduced recently and the Board is considering how to ensure that the Associate category is a developmental one, where emerging community foundations can be helped to progress to become fully fledged community foundations. The category of Friends and Supporters will encompass developers of community foundations, other interested local trusts, supportive bodies such as the European Foundation Centre and external donors and other interested parties.

II *The Environment*

Economic and Political

The United Kingdom's is a developed economy with a number of cross-cutting divisions. Parts of the country are markedly more wealthy than others, but pockets of poverty exist within otherwise richer areas. There is a growing urban-rural divide, as well as varying levels of racial tension in different parts of the country. There is a continuing economic divide between rich and poor, and concerns about investment in public services, especially health, education and transport.

Devolution of government in Wales, Scotland and Northern Ireland and the creation of regional government within England have created further divisions and, for all organizations that work U.K.-wide, have resulted in a more complex set of relationships with government officials, Ministers and agencies. Increasing divergence between policy development, legal frameworks and funding mechanisms between the “four nations” are adding to the complexity of the working environment.

The United Kingdom's New Labour government has a strong commitment to the voluntary sector as part of its Third Way policy. Encouraging voluntary groups, especially local and smaller groups, is seen as particularly important in neighborhood renewal and community building. Most recently, the government has begun to experiment with channeling its own grant aid to local areas via voluntary organizations. In some cases, community foundations have been used as government agents for grantmaking and government is trying at present to develop a coherent policy on how their local grantmaking should be managed.

Legal and Tax Frameworks

The United Kingdom has a generous system of tax breaks for charities and donors. But because the system is complex, and some benefits go directly to charities and not to donors, it has not been fully effective in encouraging giving.

Since the 2000 Budget, when various improvements to the system were introduced, the situation has improved considerably. The most generous of these new measures is the ability to give or sell shares to charity and receive full income tax relief on the value of shares. This concession is probably of most relevance to charities, including community foundations, which rely on the creation of capital for their own work since they will be most geared up to share transactions and share ownership. Significantly the Chancellor has put some weight (and £1 million) behind a national Giving Campaign which will be run by the voluntary sector and will seek to expand the numbers of people giving to charity tax effectively, create new donors, especially younger donors, and explore any barriers to giving.



Attitudes to “Philanthropy” and “Foundations”

The vast majority of the British population claim to give to charity, with the poor giving a proportionately larger share of their income than the rich. Surveys suggest that although the British are willing to give to charity, they also believe strongly in the value and importance of state services.

Endowment trusts had largely gone out of fashion with the growth of the welfare state. Community foundations were swimming against the tide in this respect, as well as in their emphasis on supporting small/local rather than large/national organizations. In the last few years, there has been increasing interest again in the creation of capital funds. This is partly in response to the growth and success of community foundations, but more, perhaps, a reaction to the news of big new U.S. foundations and interest in tapping into increasing numbers of young high earners in the City of London.

There are estimated to be 9,000 foundations of all types in the United Kingdom, giving approximately £1.58 billion in 1999-2000. One very wealthy trust (Wellcome Trust) gives £392 million of this sum. In addition, the charities arm of the National Lottery (the Community Fund) gave £527 million, and the Arts Councils around £275 million.

Assets, income and grantmaking are very unevenly distributed between charitable foundations; the vast majority of them have little income and make few grants.

Tradition of Voluntary Organizations

There are estimated to be 185,000 registered charities in England and Wales, receiving £5.76 billion in charitable donations. In addition, charities receive income from trading and investment activities and from government, mainly in the form of contracts for services.

The United Kingdom has a long tradition of voluntary activity that, in many cases, formed the basis for subsequent development of services funded and provided by government after 1948. In the years immediately after creation of the welfare state, voluntary giving and action were seen as providing “extras” to state-provided “necessities.” The last three decades have seen a revival of voluntary activity. During this period, various factors—including contracting out of previously state-run services, and the professionalization of fundraising by voluntary organizations—have led to large national voluntary organizations dominating the sector.

More recently, there has been renewed interest in smaller local organizations as a result of notions such as the Third Way, “civil society” and “social capital”; devolution of government has further contributed to interest in regional and local voluntary activities. Furthermore, as government has become increasingly aware that investment in physical regeneration of disadvantaged areas has not been as effective as expected, it has attached greater importance to supporting community involvement and local capacity building and increased streams of funding going into local areas.

III *Developing Community Foundations*

Background

One of the greatest obstacles to community foundation development in the United Kingdom (as in many other countries) is an almost universal lack of understanding of what they are and what they can achieve. The challenge for Community Foundation Network is to define clearly the nature and benefits of a community foundation, and to spread the message to the widest possible audience.

Community foundations in the United Kingdom had a significant boost to their growth and development early in 1991 when the CAF-Mott Endowment Challenge Grant Program was launched. The Mott Foundation and CAF each put £1m into the Challenge. Three community foundations were chosen after a competitive process and each was offered a grant of £666,666. The condition of the grant offer was the challenge of raising money to match the grant on a 2:1 basis to create an endowment of £2m.

The three community foundations chosen were each given a deadline by which they had to raise at least £1.33m in order to qualify for the £0.66m grant. The program was intended to help the three of them work fast in building permanent funds, and to demonstrate the feasibility of fund development in the United Kingdom. Thus all the money raised was for their endowment fund. All three successfully met the Challenge and their achievement has encouraged other community foundations to work hard on endowment building and the creation of a permanent local resource for grantmaking.

By the end of 1999-2000, nine community foundations had built endowment to over £3 million each. The 29 largest gave between them grants to a value of almost £22 million in 1999-2000 and the total endowment held was almost £92 million. The Challenge Grant participants and a number of other community foundations around the United Kingdom are now showing their local communities

that they have the capacity to make grants that have an impact on their areas. They are convincing donors of the value of contributing to a permanent, effective vehicle for local charitable giving. Most recently, there has been dramatic growth of interest in community foundations, in part as a result of government initiatives and emphasis on local community re-generation.

The special attraction of community foundations in the United Kingdom is seen to be their local focus, at a time when most resources are available for national and international charities and the tradition among better off people is to give to those. Another attraction of community foundations is their ability to make grants to very small and new groups, which might stand little chance of funding from other more “formal” funders. Finally, community foundations’ ability to offer a business-like service to donors is seen as a significant advantage.

Services to Community Foundations

As noted above, Community Foundation Network is solely devoted to working with community foundations. It covers the whole of the United Kingdom (total population around 58 million). Community foundations in the United Kingdom vary in size of area and population covered. Northern Ireland, Scotland and Wales each have their own community foundation. In England the typical community foundation covers a county. These vary in population: for example, Wiltshire has a population of 800,000, while Greater Manchester has 2.5 million people. Community Foundation Network has encouraged community foundations to be coterminous with local authorities. One of the Network’s strategic goals is to achieve 95 percent coverage of the United Kingdom by 2003.

Community Foundation Network engages in three broad categories of support for community foundations: promotion of new community foundations; start-up support; and services to established community foundations. Assisting community foundations to network and support each other directly has always been an important element of the national organization’s work.



Promotion of Community Foundations

This includes ad hoc efforts to engage the interest of key audiences and, increasingly, the press in order to identify potential community foundation developers in new areas, and to encourage new donors. Initially this was largely focused on key groups—councils for voluntary service and other parts of the voluntary sector, local establishment figures and other influential groups in the public domain, Members of Parliament, and so on. There is increasing press interest in the network, and increasing opportunities with government and the business community. A key factor in generating greater interest was the appointment of an Honorary President in 1999 who has worked single-mindedly on promoting the network.

The President has been very effective in raising awareness of the network in high places. He also realized immediately that Community Foundation Network's original name (ACTAF), a meaningless logo, a confusion of names among members (lots of "community trusts" as well as "community foundations" and just "foundations"), and no website were obstacles to further development of the network. Community Foundation Network changed its name and logo and made a big splash about re-branding, backed up by community foundations around the country recognizing themselves as a national network/movement. Several also changed their names to a more consistent style, and most began to use the national logo and to state clearly that they are part of a national network. The website was set up sooner than planned but this has proved to be a good move; there is evidence of a legacy to a U.K. community foundation, for example, as a result.

In addition, the President has specifically assisted in recruiting senior business and public figures to the Board of London Community Foundation and given that development a very effective boost.

Start-up Support

Services to emerging community foundations are designed to encourage sturdy and effective growth and some adherence to the core community foundation model. Services to emerging foundations take two main forms: general and specific.

General Services

In addition to managing the CAF/Mott Endowment Challenge (see above), general services include management of other small grants programs for community foundation development and a continuous program of conferences and training activities, newsletter and information material.

The *development grants program* is designed to assist community foundations either with their own development, with specific projects (grants up to £3,000) or with work that will be of benefit and interest to the whole network (grants up to £5,000). Recent small grants have been given for help with purchase of IT equipment, assistance in applying for a National Lottery grant, and support work on establishing quarterly regional gatherings of community foundation directors/CEOs. Development grants may also be given to help more established foundations cover the costs of visits and information provided to newer community foundations. Development grants are one of Community Foundation Network's most popular services.

The *newsletter* is published quarterly and distributed to around 1,800 people and organizations, including all Members and Associates and their trustees, nonprofit organizations and the media. The newsletter aims to inspire and inform. It contains news of community foundation successes, discussions of current issues including matters relating to fundraising, investment, social needs and grant-making. It identifies new opportunities for funding and legal and tax changes, as well as updating contact details of members. Individual community foundations often reprint newsletter articles about themselves to use as local publicity.

In addition, Community Foundation Network regularly publishes *reports* for and about community foundations in the United Kingdom and elsewhere.

Community Foundation Network has a *library* of useful publications which members, and others, may use on site or on loan. Use of this service is low but, for some organizations, can be critical. Making members more aware of this service would be helpful, when time permits.

Other services include the development of a *model governing instrument*, acceptable to the Charity Commission (the charity regulator for England and Wales). There is a very large collection of *sample documents*, including ones on tax, fund development, planning, job descriptions,

investment policies, employment contracts and so on. Community Foundation Network is gradually making these available electronically.

The *website* is developing, though there is considerable scope for it to be exploited further.

Once or twice a month, all Members and Associates are sent an *information mailing* containing a range of relevant material from changes of staff and addresses and diary dates to articles about community foundations, material sent on from other organizations and key government consultation and other policy documents. Increasing use is being made of electronic groups to share and exchange information. These have been set up for contacts in almost all community foundations and also for smaller specific groups.

Specific Services

Specific services involve *support for individual emerging foundations* tailored to their particular needs—telephone advice, visits, talks, away-days with steering committees, etc. Work with emerging community foundations became more focused with a staff appointment in mid-1999 to work specifically on network development. Although this work is highly time-consuming, it is considered to be the best way of establishing sound development practice and assists in building relationships with new/potential members.

The *national conference* (held every two years) is designed to support both new and established foundations, and to provide opportunities for networking and informal learning and support. Topics covered at the conference in 2001 included: establishing credibility—local needs surveys; endowment building—the first £1million and beyond; how to reinvent yourself when you are no longer new; public relations and profile raising; managing government and European funds—the highs and lows; impact of small grants; relationships with large neighborhood renewal programs; partnerships with beneficiaries; children in the community—making things better; recruiting and developing good trustees; sharing resources between foundations; spreading foundations; communicating with a purpose; costing and unitizing funds; running a legacy campaign; information technology issues; and how to research potential donors. In addition, this conference had some

significant national and international speakers and attracted national press coverage.

More generally, Community Foundation Network has tried to encourage *peer learning*, rather than investing scarce resources in running its own events. It is felt to be quicker, more timely and more effective if regional groups of community foundations can arrange their own information and training events. Events arranged centrally can be delayed six months by lack of space in the calendar, and member-led events are felt to encourage community foundations to take more responsibility for their own learning.

Community Foundation Network sees one of its major roles as being a “*telephone operator*,” putting community foundations in touch with each other to discuss and resolve problems. Established community foundations are expected, and are willing, to support and advise newer members. Community Foundation Network emphasizes that its members are its greatest resource for learning.

New community foundations also benefit directly and indirectly from various activities primarily designed to serve more established foundations.

Support for Established Foundations

In addition to the services above, most of which are also available and relevant to more established community foundations, Community Foundation Network provides a range of services geared more directly to the needs of more established foundations. Recently, these have included:

- Encouraging established community foundations to establish their own network and *support groups*. For example, directors meet quarterly in four regional groups, and there is increasing use of electronic groups to ask questions and share information.
- Annual meetings of the *Chairs* of community foundations to share ideas and information, and to learn.
- Occasional meetings of the *Directors of the largest community foundations*, providing an opportunity for discussion of more complex issues related to management of, for example, staff, fund development and investments.



- An *external pool of consultants and trainers*, screened for their effectiveness in working with community foundations.
- An *information technology (IT) and electronic communications project* which includes developing software for community foundations, allowing them to integrate fundraising, grantmaking and, if they wish, accounting. Community Foundation Network developed a software program for community foundations between 1997 and 2001. In 2000, an IT and electronic communications project was begun which is not only continuing to develop the software but also offers consultancy and individual support as community foundations review and improve their own IT resources, and evaluate equipment and training needed. With funding from the National Lottery, Community Foundation Network is employing a full-time worker on this for three years and also benefits from the efforts of a dedicated and skilled volunteer.
- *Time for Growth* is a new project using a grant of £1 million to help established community foundations get past the often difficult middle years. The project will make grants to ten community foundations at a stage where they have begun to establish themselves, but are in difficulties because their endowment is not growing rapidly enough for sustainability. This program will run from 2001-05.
- *Share Aware* is a project designed to make professional financial advisors and others aware of the new highly tax-efficient opportunities to give company shares to community foundations. Community Foundation Network worked with a member community foundation, several firms of financial advisors and the tax authorities to produce material, including a general publicity leaflet and a specialized information pack providing technical detail for accountants. The pack is produced in such a way that community foundations may customize it for local use. For one week in early 2001, all community foundations held events to publicize the scheme, and the material is now advertised on the Community Foundation Network website (<http://www.communityfoundations.org.uk>).
- *Contract and funding negotiations with government*. Recently, the organization has been heavily involved in tendering for a central government contract for devolved grantmaking. This followed an experimental program which began in 1999 with one central government department and focused very small grants on small, highly disadvantaged areas. A total of 22 community foundations were involved. Community Foundation Network has now successfully negotiated to run the Children's Fund Local Network, an inter-departmental initiative which will eventually roll out throughout England and offer small grants (up to £7,000) to groups tackling poverty and disadvantage among 0-19 year olds. This is a £70 million project over three years. Tendering for this contract, as well as winning it, has been highly effective in raising the profile of community foundations with government and more widely.
- Community Foundation Network in 2001 raised funding for a three-year project, involving two staff members, after a careful research phase, to develop the community foundation model more effectively in *London* (the capital). This is now moving to independence.
- A *project on standards* is currently being planned to measure the effectiveness of community foundations, and provide more objective understanding of the ingredients of successful growth and development.
- There are many examples of *policy negotiations*, usually with government, which the national organization undertakes on behalf of the whole membership (and usually drawing on experience and expertise from local foundations to do so). The most recent has concerned Value Added Tax (charged in the United Kingdom at 17.5 percent) and whether it should be levied on the fees and reimbursement for all "pass-through" grantmaking handled by community foundations. After considerable discussion and detailed review of donor agreements and contracts, an agreement has been reached with HM Customs and Excise in relatively simple terms that helps define the ownership and control of funding and which kinds of grantmaking can be considered outside the scope of VAT. This will be implemented consistently throughout the country and will enable community foundations to keep a high proportion of their grantmaking "non-VATable."

IV *Key Tensions and Challenges*

Community Foundation Network is currently at a critical turning point in its development. The community foundation movement is expanding rapidly, as are the opportunities for community foundations to become involved in major contracts to manage government grant aid to localities. It faces a number of tensions and challenges, some of which are general in nature while others relate specifically to the effects of taking on government contracts.

One tension in the past was the amount of promotion a national body can do when there are few community foundations actually in operation on the ground. National promotion with mainly embryonic organizations on the ground and many areas with no community foundation at all to point to can be counter-productive. But a more cautious approach may lead to members feeling that the national body is not doing enough promotional work. This tension has become less significant as community foundations have established themselves in the United Kingdom.

For new community foundations, there can be a tension at the local level between the need to create a prestigious “club” to which donors want to belong, but at the same time ensuring accessibility as a grantmaker.

As noted above, the rapid development of community foundations in the United Kingdom has created enormous pressure on a relatively small staff. Fundraising for new staff is not only difficult but is also time-consuming, further exacerbating the pressure on existing senior staff. When funding is found, new staff members need training and managing. The changing and increasing demands on the organization have meant regular revising of jobs and restructuring in an effort to respond and to make best use of existing skills and resources.

There is an important issue at present around membership fees and pricing of services. At present, membership fees are £100 for Members and £75 for Associates. Fee levels have not been changed since 1991, and now constitute a lot less than 1 percent of the organization’s income. Some

staff feel that these low fee levels have created a vicious circle in which members do not value what Community Foundation Network does because so much of its work is effectively free. Raising membership subscriptions on a sliding scale could raise issues to do with which community foundations make most use of services and get best value. Partly because of the strategy of peer learning and the emphasis on sharing in the network, and in the nature of the case, larger more established foundations could argue that they give to the network as much, if not more, than they get out of it. In practice, those foundations most active in supporting their colleagues in the network are also proving supportive in arguing for higher fees, aiming at 5 percent of core income from this source.

Raising membership fees creates other dilemmas. Community Foundation Network could spend more time and money telling people about how much they do, but this would cost money and could alienate members. If membership fees are to be raised, the organization would need to be very confident both that members make best use of its services and that the services provided are what members really need and want. When do services become outdated and how do you anticipate future needs in such a diverse network of community foundations at different stages?

Making greater use of members for peer learning creates potential servant-master dilemmas, but it also exemplifies how much Community Foundation Network really values and trusts its members. As one person put it, “we need a virtuous circle of feedback where we are all learning.” It is necessary, however, for the national organization to ensure that peer learning is based on good and effective practice and a critical or evaluative role can be demanded of national staff.

For Community Foundation Network, there are obvious tensions in being both a membership organization and the gatekeeper of various pots of money for distribution to community foundations. It has attempted to reduce this tension by, for example, appointing an independent panel to make grant decisions on the Time for Growth project, although the Board (made up of people from community foundations) is still legally responsible for those decisions.



In its work in developing the Children's Fund Local Network, Community Foundation Network has had to find an effective way of handling both the promotion of its members' work and the building and maintenance of credibility with government by recommending only those foundations with the capacity to deliver to the required standards. Working with government on contract as a network has highlighted issues regarding standards and brought to the fore the possibility of a written agreement between the national organization and its members on delivery of services.

There are further issues for U.K. community foundations arising from the variety of donors with which they work. For Community Foundation Network, the most difficult issues have arisen from working with government bodies. The government programs in which it has become involved are central to community foundations' mission, and Community Foundation Network is confident that its members offer the best possible network for delivery of good grantmaking. Nevertheless, this involvement has highlighted existing tensions and presented some new challenges.

A big issue in the network at present has arisen in response to a government consultation exercise on how small grants from government funds should be rolled out to local areas. Community foundations have the expertise and outreach capacity to undertake this work, and there are no obvious generalist local grantmakers with a national network as good as Community Foundation Network's. But there is divided opinion within the network as to the appropriateness of taking on multiple stream of "pass through" funding on government's behalf. In the external environment, too, there could be anxiety that U.K. community foundations could become too significant and powerful in their local areas. The danger of taking on the sort of coordinating roles the government is now proposing is that community foundations could be seen as gatekeepers rather than entrances to local funding. With greater demands for public accountability, community foundations *could* become as inaccessible, slow and bureaucratic as any government funder. The biggest danger could be a disincentive to donors to create endowed funds in community foundations if it appears that they are too close to government.

Gaynor Humphreys, Community Foundation Network's Director, considers the last decade for community foundations in the United Kingdom:

"The last ten years have been a continuous learning curve for everyone involved in community foundations, locally and nationally, as they have explored, examined and modified the U.S. model of community foundations. During this time, they have learned how daunting a task it is to start to change people's thinking about why and how to support community initiatives, and about building new organizations whose start-up costs are inevitably high. This learning has included the whole process of developing a user-led support organization, especially ensuring maximum learning from one area to another without imposing one area's answers on another; and helping people climb the learning curve quickly without suggesting the centre has the answers!"

"We are still near the start of the story in building these organizations which focus on the future as well as on their areas' immediate needs. Many of our U.K. community foundations are now growing consistently and well. They are widely recognized as knowledgeable and approachable grantmakers. It is clear that they are now seen as a natural part of the funding landscape in the U.K. As we reflect on the issues and tensions highlighted in this case study we realize how much the network has been strengthened through a continuing evaluation of appropriate relationships, good practice, and best directions for development. All of this means that Community Foundation Network and U.K. community foundations are evolving and learning organizations which can continue to grow and thrive."

Council of Michigan Foundations (CMF)



This case study includes a look at CMF's work on developing standards for Michigan community foundations and the strategies and activities that led to this work.

I *The Whole Organization*

Background

The Council of Michigan Foundations (CMF), founded in 1975, is one of 28 Regional Grantmaker Associations (RAGs) in the United States serving foundation members. It covers the State of Michigan, located in the northern United States between several of the Great Lakes on the U.S.-Canada border. Since its beginning, CMF has taken an active role in supporting the development of its community foundation members, although this is only part of its role.

Mission and Objectives

As an association of foundations and corporations that make grants for charitable purposes, CMF's mission is to increase, enhance and improve philanthropy in Michigan.

Financial Resources

CMF's annual operating budget for the last five years has ranged from US\$8.5 million to \$9.9 million, with one exceptional year when the budget was \$15.8 million.

CMF's annual budget to support community foundations varies, depending on the number and size of grants it has for developing community foundation capacity. Resources for work with community foundations have ranged from US\$3.1 million to \$6.9 million to \$11 million in the year in which the total budget was \$15.8 million.

In recent years, the major source of funding (W.K. Kellogg Foundation) for community foundation work has decreased and a major challenge is to replace this funding.

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WINGS-CF, September 2001

Resources for CMF's work with community foundations are obtained through:

1. Membership dues;
2. Grants from national foundations and other organizations that provide CMF with dollars for providing technical assistance and administrative services; and
3. The sale of tools for learning, publications and other resources.

Staffing

CMF has a full-time Director of Community Foundations, support staff, a summer intern and a varying number of consultants contracted to provide technical assistance, evaluation and other services to community foundations.

Governance

The Board of Trustees is appointed by CMF's membership. Trustees serve for three-year terms. The Vice Chair for community foundations serves as the chair of the Community Foundations Committee and selects members of this committee. Additional ad hoc committees are created as necessary by the Community Foundations Committee to work on particular issues and projects. Decisions relating to work with community foundations are made by the Community Foundations Committee with final approval by CMF's Board of Trustees.

Membership

CMF is a membership organization for family, private, corporate and community foundations. Of approximately 500 members, 10 percent (56) are community foundations.

II The Environment

Economic and Political

In 1999, the State of Michigan had a population of almost 10 million people, making it the eighth largest state in the United States. As of 1999, Michigan's poverty rate was 11.5 percent with 18 percent of people under age 18 in poverty. Median Household Income in Michigan was US\$38,883, with a total personal income (TPI) of \$277,295,918 (ranking ninth in the United States). Michigan's largest industries in 1999 were services, durable goods manufacturing, and state and local government.

Compared with many other developed nations, the United States has always favored "small" government, coupled with a culture of personal responsibility and dependence on the nonprofit sector for service provision to those who cannot help themselves in the market. In recent years, the size and contribution of the nonprofit sector have been increasingly recognized and further encouraged by both Democratic and Republican governments.

Today, foundations and corporations are being challenged to increase their support and charitable donations in the face of program changes initiated by national, state, and local governments, as well as increased needs.

In the face of this challenge, it is apparent that much can and should be done to encourage the creation and growth of new foundations and corporate giving programs.

Legal and Tax Frameworks

Although the tax and legal frameworks remain, by world standards, relatively conducive to giving, the 1969 Tax Act introduced both a number of reforms and some major barriers to foundation philanthropy. Thus, in 1977, the Council of Michigan Foundations' (CMF) Members directed the Board of Trustees to develop a public information program that would support and encourage Michigan foundation philanthropy. This program included a plan to communicate with public policymakers. A Conference Mandate (Government Relations) Committee was established to implement the program. The purpose of the Council of Michigan Foundations' Government Relations Program has been to seek support for legislative changes that encourage the role and effectiveness of foundation and corporate philanthropy.

Since then, the Government Relations Committee has surveyed CMF Members about their legislative interests and priorities on a timely basis. CMF also launched a “Developing Good Will Program” to assist in this public information effort. The CMF Board of Trustees approved the initial Legislative Statement on March 1, 1979. As a result of these efforts, 24 goals have been accomplished including:

At the national level:

- Reduction of mandatory payout requirement for private foundations to 5 percent.
- Private foundation limit on grant administrative expenses terminated.
- Fair regulations on private foundation lobbying issued.
- Full deductibility of gifts to private foundations of publicly-traded stock made permanent.
- Community foundations permitted to administer pooled income fund.

At the Michigan state level:

- State inheritance tax repealed.
- Community foundation tax credit for individuals and businesses made permanent and definition of community foundation strengthened in tax code.
- Legislation passed allowing gifts and bequests received by units of local government (cities, villages, counties, public libraries and schools), to be gifted to community foundations.
- Nonprofit corporation act amended to allow youth ages 16 and 17 to serve on boards of nonprofit corporations with voting rights.
- Legislation passed allowing distribution of tobacco settlement funds to state-certified community foundations for healthy youth and healthy senior programs. Michigan’s share of the national tobacco settlement is US\$8.3 billion, as well as interest payments on the 25 percent of the Tobacco Settlement not going to the Governor’s Merit Awards. An initial payment of \$2.1 million was distributed in 2000 to 65 certified community foundations in a formula based on population of youth under 18,

and seniors over 65. Total distribution is anticipated to exceed \$50 million over the lifetime of the settlement.

- Contributions to certified Michigan community foundations allow donors to take as a credit against their State of Michigan tax an amount equal to 50 percent of the gift, up to certain limitations (US\$100 maximum for an individual return; \$200 for joint returns). Donors paying single business tax may take as a credit the lesser of 50 percent of the gift, up to \$5,000 or 5 percent of their single business tax liability. This credit is in addition to those available for donations to public broadcasting stations, Michigan colleges or universities and public libraries. The tax credit is also in addition to the deduction for federal income tax purposes.

Other changes have yet to be achieved. National goals include:

- Maintain the private foundation payout rate at not more than 5 percent to protect the real value of foundations’ grantmaking capability.
- Change the limitation on gifts to a private foundation from 20 percent to 50 percent.
- Increase the deduction allowed a taxpayer for a gift to a private foundation of certain capital gain property.
- Support reasonable limits on the degree to which foundations and charities can lobby or otherwise influence public policy decisions and oppose unreasonable limits that adversely affect grantmaking.
- Avoid excessive corporate giving regulations.
- Monitor estate tax legislation that would impact the creation of new foundations and gifts to existing foundations.

State-level goals include:

- Monitor changes to tax policy affecting nonprofit organizations.
- Support legislation encouraging a tax-deduction for charitable contributions from individuals.
- Regularly communicate with elected officials at federal, state, and local levels about foundation activities and concerns.



- Encourage Member foundations to report grants and activities to government officials.
- Encourage Members in each Michigan Congressional District to meet as a group with their legislator to discuss the local contributions of community and private foundations, and corporate giving.
- Encourage meetings with local editorial boards and the media about foundation activities and concerns.
- Develop a state legislative network by House and Senate districts and enhance communication with key committee leadership.
- Continue discussions with the Michigan Attorney General's Office regarding community and private foundation concerns.
- Encourage meetings with the Executive Branch of state government.
- Sponsor periodic seminars for state legislators, department heads, and their staffs.
- Hold an annual "Washington Day" for members to meet with each member of the Michigan Congressional delegation.
- In addition: Support public reporting by foundations, beyond the reports required by law, and provide technical assistance for those foundations seeking to print an annual report or guidelines. Assist in distribution efforts.

Attitudes to "Philanthropy" and "Foundations"

Foundation and corporate giving has long been a significant part of American society. In 1999, foundations and corporations donated more than US\$22.8 billion for charitable causes and services, including the arts, United Way, colleges and universities, libraries, and programs for the elderly, and the needy. There are 42,500 foundations in the United States, with more than 1,468 in Michigan alone. In all, foundations in Michigan hold \$22.1 billion in assets and make annual grants of over \$1 billion. Assets and giving are very unevenly distributed between foundations. Some 23 percent of foundations own 97 percent of total assets, and account for a similar percentage of total giving.

A nearly one-fifth rise in 2000 giving followed five straight years of double-digit increases in the value of foundation assets. Between 1995 and 1999, foundation assets doubled from US\$226.7 billion to \$448.6 billion. In 1999 alone, assets rose by \$63.6 billion or 16.5 percent. Dramatic gains in the value of holdings of several major independent foundations, new gifts into foundations (including a record \$32.1 billion in 1999), and accelerated growth in foundation creation have all contributed to an unprecedented increase in foundation assets.

Estimates for 2000 Foundation Giving show that giving increased by more than 18 percent, following a 20 percent increase in 1999. In a year that saw unbounded confidence in the nation's economy turn to increasing uncertainty, U.S. grantmaking foundations raised their contributions to nonprofit organizations to a record US\$4.3 billion, according to a report from the Foundation Center (www.fdncenter.org). Foundations gave an estimated \$27.6 billion in 2000, up 18.4 percent (14.6 percent after inflation) over the \$23.3 billion in giving reported for 1999. Community foundations experienced the fastest growth in giving in the latest year, followed closely by independent foundations. However, growth in corporate foundation giving slowed, reflecting declining corporate profits and stock values.

Tradition of Voluntary Organizations

The United States as a whole has a long and vigorous tradition of voluntary organization, partly as a result of its distrust of government intervention. It is estimated that there are 19,000 active charitable voluntary organizations in Michigan.

More than 80 percent of Michigan's residents contributed to charity in 1999. The median annual donation ranged from US\$50 to Environment and Youth Development organizations, to \$100 for Health, Education, Arts and Culture, Private/Community Foundations and International, to \$500 for Religious organizations.

Statewide, 46.7 percent of Michigan adults have volunteered during the past 12 months, with the amount of time provided per month ranging from a high of 11.9 hours per month for community foundations to a low 5.4 hours for political groups. Volunteering varies in relation to gender, age, education, income and employment.

III *Developing Community Foundations*

Background

The 1999 survey of U.S. community foundations conducted by The Columbus Foundation reported continued explosive growth in gifts, grants, and assets to U.S. community foundations. Of the 579 community foundations identified in 1999, 27 did not exist just one year before. Gifts received exceeded US\$3.6 billion, a 28 percent growth; grants paid exceeded \$1.9 billion, up 26 percent; and assets reached \$29.9 billion, an almost 19 percent increase. Gifts, grants, and assets each reached new record highs. Some of the factors contributing to this growth in gifts included: increased marketing and development efforts by community foundations, augmented market value of appreciated assets, and beginning of the transfer of intergenerational wealth.

Community foundations in Michigan have experienced tremendous growth both in numbers and capacity over the past 14 years. Whereas in 1988, 34 community foundations and one geographic component fund existed with combined assets of just over US\$233 million, in 1999 there were 61 community foundations and 39 geographic component funds with combined assets of nearly \$1.5 billion dollars, an increase of 635 percent. Every county in Michigan is served by a community foundation. The majority of these foundations are vibrant, growing foundations taking an active role in their communities.

From Building Capacity to Creating Standards and Beyond

CMF's work on developing standards for community foundations is the result of a sequence of strategies which started with developing new community foundations, building new community foundation capacity and marketing the concept of community foundations.

Developing New Community Foundations

The story began in the late 1980s, when key Michigan community foundations approached CMF asking for help to develop their capacities. Dialogue among existing community foundations, CMF and the W.K. Kellogg

Foundation staff resulted in two Kellogg challenge grants with additional funding for technical assistance provided by the C.S. Mott Foundation.

It was agreed that CMF would initiate The Michigan Community Foundations' Youth Project (MCFYP), designed to:

- Assist community foundations in building unrestricted and field of interest endowments.
- Expand and extend community foundation service to cover the state so that every donor has access to a community foundation vehicle.
- Provide a permanent youth field of interest fund for communities across Michigan from which grants can be made to meet local youth needs.
- Involve youth in the process of philanthropy: assessing local needs, raising funds, and advising on grantmaking.
- Stimulate the implementation of youth volunteerism across the state of Michigan.
- Build capacity to ensure strong, sustainable community foundations.

MCFYP had several components, including large challenge grants, technical assistance and mini-grants, and an emphasis on involving young people in philanthropy.

Community foundations were required to establish a Youth Advisory Committee composed of at least 50 percent youth. These committees assessed the needs and assets of youth in their communities, engaged in grantmaking and fund development, and stimulated youth volunteerism in their communities.

Technical assistance and networking opportunities included: on-site consultations, trainings and conferences, information services, legal assistance, publications and mini-grants.

Mini-grants were for:

- General purposes—to meet the unique needs of each community foundation;
- Development—to pay for specialized development consultation, community programs, or materials directly related to fundraising and work with financial advisors; and



- Trustee training—to support the costs of one trustee per year to attend a training program of their choice related to the community foundation.

Mini-grants were also available to lead foundations to offset the administrative costs of working with geographic component funds.

These strategies were very successful. Every citizen in Michigan now has local access to a community foundation. A total of 22 new community foundations and 38 geographic component funds were developed; assets held by Michigan's community foundations increased dramatically. Perhaps, most important of all, sleepy community foundations have re-engaged and many have started taking active leadership and convening roles in their communities.

Almost all of Michigan's community foundations have a permanent Youth Advisory Committee. In 2000, these committees had returned a combined total of US\$8,138,669 in grants back to their communities. Community foundations became linked to a new source of leadership, energy and ideas. Other outcomes related to engaging youth in philanthropy have been documented elsewhere.

Promoting Sustainable Community Foundations

Although many new community foundations were created, over half had under US\$5 million in assets and many had less than \$1 million. The next step for the CMF was to develop strategies to ensure that these small community foundations became strong and sustainable.

Encouraging smaller foundations to become funds of larger foundations was one of the strategies explored. Michigan community foundations value their local identities and, in general, even very small foundations were not interested in merging or becoming affiliate geographic component funds of larger community foundations. Based on strong feedback from the field, CMF worked with community foundations to identify areas where community foundations could work together to create efficiencies of scale.

Engaging technology, serving rural areas, providing technical assistance designed to strengthen capacity, encouraging joint projects and collaborative grants, establishing standards, a common brand and identity and the Venture Products Initiative (see below) are all

areas in which efficiencies of scale have been realized. Specific examples of ways that community foundations have worked together include:

1. Creating regional and state-wide marketing tools (electronic presentations using Microsoft PowerPoint, printed brochures and other materials) used either on a regional basis with all of the participating community foundations' names and logos, or used individually as a shared template that could be customized.
2. Common state-wide and regional marketing campaigns to share the costs of developing and implementing print, radio and television advertisements.
3. Jointly hiring administrative and fund development staff who split their time between two or more community foundations.
4. Developing a hub where small community foundations send their financial information to be entered and analyzed so that small community foundations don't have to purchase, maintain and train staff to use FIMS, a software-based financial information management system.
5. Shared technical assistance and legal assistance.
6. Continuation of project team work and collaborative grants designed to encourage community foundations to work together to build assets and create efficiencies of scale.

Establishing a Common Brand and Identity

Michigan community foundations began exploring the idea of "branding" or establishing a common identity in the late 1990s. There were two reasons for this. First, community foundations were often described as "the best kept secret in town." Few people knew they existed and, as part of their growth strategies, community foundations wanted to increase their visibility. Second, well-known national investment firms were starting to provide their clients with online charitable giving options. Community foundations wanted to develop common products that would keep them on the cutting edge of the charitable giving field. Before they could do this, they had to decide the extent to which they were willing to work together as a field.

Historically, community foundations' identities are local. Michigan community foundations had to decide where they wanted to be on a continuum from being "lone stars" to choosing a stronger affinity in message and identity. After a great deal of discussion at the local and state levels community foundations decided on sharing some elements of a common identity such as the tag line "For good. For ever." They also agreed to have "community foundation" in their names and an agreed "identity system" for local and state-level marketing materials. But sharing elements of a common identity brings benefits and risks to individual community foundations. If community foundations were to have confidence in sharing a common identity, it was important to manage risk by establishing a common set of standards.

Creating Minimum Standards for Michigan Community Foundations

Subcommittees made up of community foundation trustees and staff developed standards. Minimum standards were developed for the following areas:

- Governance
- Administration and finance
- Asset development
- Grantmaking
- Convenor and leader roles
- Communications

Community foundation staff and trustees/board members discussed drafts at the local level and provided feedback to the committees. Once the standards were developed, CMF provided technical assistance to Michigan community foundations to help them meet standards. This assistance included on-site consulting, web-based documents and the *Building Foundations Marketing Planning* series. CMF provided useful documents, and provided background about why it was important to have X, Y or Z policy, what the relevant issues were and key questions to consider (www.cmif.org/standards.htm). This developmental focus on building the capacity of community foundations through compliance with minimum standards placed high emphasis on community foundation trustees; the end result being

trustees who were knowledgeable of, and had buy-in to, their community foundation's policies and guidelines. It was also interactive and respectful of the diversity in the field, allowing options to be customized to fit local situations and organizational cultures.

By June 2001, 47 community foundations were in compliance.

Venture Products Phase I and II

The Venture Products initiative focused on developing customizable marketing tools and on reaching out to professional advisors of the wealthy, including lawyers, estate planners, financial advisors, and insurance agents.

Phase I - Marketing Tools

While community foundations were engaged in the process of branding, establishing a common identity and beginning to develop standards, a set of tools including a customizable PowerPoint presentation, *What is a community foundation?*, and several other documents were produced and disseminated. CMF provided technical expertise to customize the tools if needed and assistance with how to use the tools. In addition, the PowerPoint presentation was disseminated to over 300 community foundations outside Michigan.

Phase II - Outreach to Professional Advisors Campaign

Community foundations may participate in the Outreach to Professional Advisors Campaign when they are in compliance with standards. The campaign had three main types of activities:

1. A *Building Foundations Marketing Planning* training series for community foundation staff and trustees/board members. This series included four sessions focused on: setting strategy, shaping communications, preparing products and forming relationships;
2. State-wide advertisements placed in key publications, and development of a common website (www.forgoodforever.org); and
3. Local implementation: community foundations were expected to engage in activities designed to maximize the benefits of the state-wide efforts at local level. These activities included identifying professional advisors in their



area; establishing a professional advisors council; meeting face-to-face with professional advisors; and hosting luncheons or other group meetings with professional advisors. Some community foundations ran advertisements in their own local or regional publications.

Critical Success Factors

CMF's experience suggests a range of both general and more specific critical success factors in developing community foundations.

General success factors for community foundation growth include:

- Committed leadership at the local level with a passion for improving the community;
- Volunteers willing to give of their time and to serve as trustee/board members and committee members;
- Tax incentives;
- Legal vehicles for transferring wealth;
- Having or creating a tradition of giving; and
- A support organization to provide information, technical assistance and networking opportunities.

When exploring the possibility of organizing a community foundation or establishing an affiliate relationship, it is important for the local community to ask:

1. Do we know what is involved in starting an independent community foundation (e.g., costs, legal requirements, time needed)?
2. Do we have, or can we get, the financial support needed to begin and operate an independent community foundation?
3. What are the foundations or other groups in our region we might ask for a challenge grant, support for technical assistance, initial operating monies, or mini-grants for special projects?
4. How will we define our "community" boundaries?
5. What is our community's philanthropic tradition?
6. How strong is the sense of community in our area? Do individuals feel rooted to the extent that they will want to give something back to the community even if they currently do not live here?

7. Do we have a sufficiently large population and enough wealth in our area to support a vibrant, growing community foundation?
8. Do we have a credible, well-respected community leader or group of leaders who are willing to commit to the community foundation and take this on with a passion?
9. Do we know about the different legal options for affiliating, and their advantages and disadvantages?
10. What community foundations are nearby that might serve as lead community foundations?
11. What are our community's social, economic and political ties to each of the potential lead community foundations?

More specific lessons include:

- **A challenge grant with a youth focus is an effective development tool.**

The Michigan Community Foundations' Youth Project increased Michigan community foundations' pools of unrestricted and field of interest dollars which are historically the most difficult to raise. The youth focus has leveraged asset growth and brought new human capital to community foundations. As one executive director said, "everyone can support youth." Involving youth provides community foundations with a group of current as well as future leaders, donors and board members. It expands community foundations' visibility among previously uninvolved groups of individuals. Well-informed youth, knowledgeable of their local community's needs and well versed in grantmaking, have also proven to be effective at fund development for the community foundation.

- **A challenge grant encourages strategic thinking.**

Aside from the opportunity to acquire new resources, the challenge grant application process encouraged community foundations' boards to ask and answer the question "where do we want to go and how will we get there?" As a result, most of the state's community foundations have developed strategic plans and have re-energized their boards by developing or reaffirming their shared vision and/or by engaging new board members.

➤ **For new or small foundations a challenge grant provides essential credibility via recognition and support from a major outside foundation.**

➤ **A half-time staff person (preferably full-time) is necessary for effective growth.**

When community foundations are growing, most half-time staff members work more than 20 hours a week, and some work close to full time.

➤ **Challenge grants need to be coupled with capacity building efforts.**

It is not enough for community foundations to have increased assets. They also need effective boards, skilled staff, organizational structures which support their grantmaking, donor service and leadership activities, sound investment practices, evaluation tools and processes to help them become learning organizations, and adequate technology with staff trained in its use.

➤ **Providing technical assistance is a critical component of a challenge grant.**

After the challenge grant ends, “enhanced technical assistance” focused specifically at building core capacities and sustainability of the most vulnerable community foundations is even more critical.

➤ **Technical assistance needs to be multi-faceted to meet the diversity of needs.**

Technical assistance should be tailored to the levels of experience of staff and trustees/board members (e.g., beginning, intermediate and advanced) and to different sized foundations. Reaching board members is a challenge, as is involving part-time volunteer staff, because of their other time commitments. A variety of methods need to be used, including: on-site consulting, seminars, retreats, conferences, telephone conferencing, video trainings, etc.

➤ **Networking and information sharing are powerful tools for building capacity**

Annual conferences, listservs, separate retreats for executive directors and program officers, computer user groups, regular written communications, access to sample documents and a large multi-media lending library, and a website are some of the opportunities that Michigan has offered to community foundations.

Engaging in a process to decide on a common identity, developing and implementing standards and conducting a multi-level Outreach to Professional Advisors Campaign have all provided lessons, including:

- Providing marketing tactics to the community foundation field is not enough. Strategic decisions need to be made about levels of common identity and standards. Participation and buy-in from the field around these strategic decisions take time but are necessary and ultimately make moving forward easier.
- Implementing a set of shared standards is critical to successfully managing risk when community foundations engage in shared marketing and a common identity. Community foundations have to be able to consistently deliver what is being marketed or “promised” to the public. The more that community foundations work together, the greater the risk to all if one does not operate according to the agreed upon standards. Community foundation staff and trustees/board members all need to understand the connections between marketing, a common identity and managing risk through compliance with standards.
- Community foundations need to be marketing organizations, with an infrastructure for marketing, before they can make effective use of marketing tools.
- Community foundation staff may not have the technological capability or skills to use marketing tools. Technical support needs to be available.
- Linking compliance with standards to participation in the Outreach to Professional Advisors Campaign or some other “carrot” provides an incentive for community foundations to meet standards.



IV

Key Tensions and Challenges

CMF continues to face a number of key challenges and tensions.

“Leveraging our Collective Strength to Benefit Each Community Foundation”

CMF’s journey from developing new community foundations to establishing standards as a basis for development of marketing tools both reflects and illustrates the tensions between the collective and the local. A sense of connection and responsibility to local communities is important. The challenge is to design state-wide or regional initiatives that “leverage our collective strength to benefit each community foundation.”

Serving Members and Acting as “Gatekeeper”

The challenge for CMF is how to be a servant-leader organization: balancing its role as a membership driven organization while serving as an intermediary for community foundation initiatives supported by national funders, state government or other key stakeholders.

Finding Sustainable Funding

Another challenge is how to provide sustainable funding for the high level and quality of technical assistance that community foundations have come to expect from CMF.

Michigan community foundations have been successful in building capacity, developing a common identity and marketing strategy. Developing standards has been essential in underpinning joint work, identity and marketing. But development of community foundations is an ongoing process. New and established community foundations need to be constantly building, maintaining and strengthening their capacities. There is a continual need for technical assistance to manage growth.

The needs of Michigan community foundations in the next five years include:

Building capacity

- Ongoing training and professional development opportunities for staff and trustee/board members.

- Processes, tools, information and technical assistance will be needed when community foundations continue to experience rapid growth.
- Evaluation systems and tools to help community foundations become learning organizations.
- Mechanisms for accessing lessons learned so that community foundations can better use the information.
- Ongoing technical assistance and learning opportunities related to the role of convenor and catalyst, use of technology, financial stewardship, communication, and fund development, donor services and evaluation among other areas.
- Opportunities to learn from, and exchange information with, community foundations in other parts of the world.

Reaching out

- New products such as opportunities for e-philanthropy to help community foundations stay on the cutting edge of philanthropy.
- Strategies to reach out to new potential donor and volunteer populations.
- Dissemination materials for sharing lessons learned with community foundations elsewhere.

CMF is committed to serving community philanthropy in the future through its *mission*—to increase, enhance and improve philanthropy in Michigan—and through its *purposes*:

- Lead: to facilitate and support philanthropic responses to critical needs.
- Educate: to support the professional growth of grantmakers.
- Advocate: to represent Michigan philanthropic interests and concerns with state and national government.
- Promote: to help Michigan citizens understand and appreciate the role of philanthropy.
- Increase: to grow philanthropy in Michigan.
- Network: to provide the means for regular sharing of ideas and experience among grantmakers and grantseekers.

European Foundation Centre (EFC)



This case study includes a focus on funding for the EFC's Community Philanthropy Initiative (CPI), and the services it provides.

I *The Whole Organization*

Background

The European Foundation Centre (EFC) was established in 1989 by seven of Europe's leading foundations: Charities Aid Foundation, European Cultural Foundation, Fondation de France, Fundação Oriente, Juliana Welzijn Fonds, King Baudouin Foundation, and Stiferverband für die Deutsche Wissenschaft.

Mission and Objectives

The EFC promotes and underpins the work of foundations and corporate funders active in and with Europe. EFC's vision is: a community of informed, inspired, committed, independent funders engaged in seeking solutions to challenges facing humanity in Europe and internationally. It is a knowledge-based membership association dedicated to strengthening organized philanthropy, which is embedded in and supports civil society in Europe and internationally. The EFC helps nurture efforts aimed at supporting independent, accountable and sustainable funders throughout the "New Europe," particularly when the right to associate private capital for public benefit needs fostering.

To support the development of community philanthropy, the EFC introduced in 1999 the Community Philanthropy Initiative (CPI), which operates as a program with its own staff and budget.

Financial Resources

Year 2000 – All amounts in euros (*note: 1 euro = approx. US\$0.88 as of November 13, 2001*)

SOURCE	TOTAL
Income from Contributions	614,175
Income from "Maecenases" (Special Contributors)	325,000
Income from Projects and Miscellaneous Sources	1,213,597
Total Income	2,152,772
Total Expenditure	-1,942,761
Surplus for the Year	210,011

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<http://www.wingsweb.org>

WINGS-CF, September 2001

Contributions vary according to the status of the organization vis-à-vis the EFC. Contributions are paid on a per annum basis. There are two member categories: Funding

Member and Member. Funding Members contribute 10,000 euros and Members 2,000 euros. Associates and Subscribers contribute with 1,000 euros and 500 euros, respectively.

“Maecenases” are members of the EFC particularly committed to the mission of the organization that wish to contribute above their normal membership dues. Their contributions usually average 50,000 euros. “Maecenases” may decide to contribute above their dues on a regular or one-off basis.

The EFC’s budget is divided into two main categories: Core and Projects. Each project has its own budget, and fundraising activities are undertaken by the respective project coordinators. The Community Philanthropy Initiative (CPI), for instance, is classified under Projects and its budget is thus separate from Core and set in relation to specific projections and fundraising results. Projects have special fundraising plans in accordance with their objectives.

Staffing

The EFC has 20 staff members in total: a Chief Executive, a Chief Operating Officer, two Directors, seven Program/Project Coordinators and supporting staff, a Communications Coordinator, a Legal Affairs Officer, a Librarian, a Membership Services Manager, an Events Coordinator, two Accountants, a Computer Technician, a Receptionist/Volunteers’ Supervisor. Not all of these staff members have employee status with the EFC, some are seconded by member organizations and others have independent consultant status. One Program/Project Coordinator and the Computer Technician have consultant status. Additionally, one Program/Project Coordinator, the Communications Coordinator, the Librarian, and one of the Accountants work on a part-time basis.

The Legal Affairs Officer is seconded by the Federal Association of German Foundations, by a group of its members that are also members of the EFC. In the past, the Foundation Center (United States), the Charles Stewart Mott Foundation and the Sasakawa Peace Foundation (Japan) have seconded staff members to the EFC. Secondment of staff has proved to be a very valuable contribution to the overall work of the EFC, not only in terms of financial resources but, more importantly, in terms of transfer of good practice and training skills. CPI was, in fact, created via this process with the support of the Charles Stewart Mott Foundation.

The EFC also hosts during the year a number of volunteers (between eight and ten) whose main purpose is to help with projects.

The majority of the EFC’s staff is based in Brussels, Belgium although three staff members work at the branch office in Warsaw, Poland. This branch office helps the EFC to reach out to countries in Central and Eastern Europe (CEE), and is responsible for the management of specific information and networking activities in the region.

Governance

The EFC is an independent international nonprofit association under Belgian law. The EFC Annual General Assembly of Members has ultimate authority, with governance entrusted to an elected Governing Council, supported by a Management Committee. Strategic Guidance is provided by a European Union (EU) Committee, an International Committee, an EU Enlargement Committee and a Development Committee. Operational responsibility is entrusted to a Brussels-based Secretariat under the supervision of the EFC Chief Executive.

The Governing Council is composed of one Chair, two Vice-Chairs, one Treasurer, 30 Members and four Observers (all are elected from EFC membership). The Management Committee is composed of seven member organizations.

Membership

Foundations and corporate funders from all over Europe and the world are members of the EFC. There are two categories of membership: EFC Funding Member and EFC Member. Applications are approved by the Management Committee of the EFC. Categories of EFC Associate, Subscriber and Guest also exist for organizations that do not fall into one of the above membership categories. The EFC currently has some 200 organizations in its membership.

EFC Guests have their “membership dues” covered by a member of the EFC that wishes to bring these foundations into an international working environment and help them to build their capacity in this way. Guests are usually small foundations with few resources but of particular significance for the foundation movement in general. Guests are expected to become full members of the EFC after a two-year period. Currently, two of our members are supporting Guest foundations at the EFC: the Charles Stewart Mott Foundation and the Fundação Oriente.

A Membership Strategy Plan has been initiated in 2001 to address the specific needs of our members and the general membership drive of the organization. The main objectives of this plan are the retention and the expansion of our membership, not only in view of a more representative organization but also to respond better to members' needs.

The Orpheus Programme, the public record of private funding, is the EFC's information and communication wing and as such serves the needs of EFC members. The program puts us in touch with circa 48,000 organizations in 37 countries worldwide. It specializes in the collection, analysis and dissemination of funding information and facilitates a network of national resource centers that serve independent funders throughout Europe.

II *The Environment*

Economic and Political

At the European Union (EU) level (15 European countries), the poorest 20 percent of the population received only 8 percent of total income in 1994, while the richest 20 percent received almost 40 percent of the total income, i.e., five times more, for the same year. Income inequality in Europe has increased throughout the 1990s with countries such as Denmark, the Netherlands, Sweden and the United Kingdom reporting the biggest increase.

Wealth inequality is poorly documented. European observers tend to report on an increase of unequal wealth distribution since the mid-1980s, but they also point out that the level of increase is much lower than in the United States and higher than in Japan.

In Central and Eastern Europe (CEE) income and wealth distribution are reportedly less equal than in the past (Communist era), with income and wealth accumulation registering very high levels at the top. However, recent economic developments in certain Eastern European countries—Russia is a good example—have slowly started to allow for the creation of a well-established middle-class.

In 1998, unemployment in the EU member states touched 10 percent of the labor force, compared with 4.5 percent and 4.1 percent for the United States and Japan, respectively. The situation in CEE countries is generally worse than in the EU region in terms of unemployment with many state-owned enterprises having had to close down (even if new private initiatives have helped to compensate for some losses).

Although a generalization, in the twentieth century, Europe experienced two main ideological influences: fascism and communism. Fascist or right-wing regimes took root in most of continental Europe during the period between the two World Wars (1918-1939); many of these regimes endured well into the 1970s (e.g., Spain and Portugal). After the Second World War (1945), most countries to the east of Berlin fell under Communism and the influence of the Soviet Union. This led to the so-called "Cold War," during which Europe saw itself divided into two opposing ideological blocks: one capitalist and generally pro-democratic to the West, and one communist and generally anti-democratic to the East. This period is illustrated in Europe's twentieth century history by the "Berlin Wall."

In 1989, the "Berlin Wall" (which divided the city of Berlin in two) fell and with it most countries of the previous communist block initiated a transition towards democratic regimes. The Soviet Union disintegrated and gave birth to a number of new independent countries in Europe.

Parallel to these events, Europe witnessed after World War II the birth of the European ideal with the creation in 1949 of the Council of Europe (currently with 41 member states) and in 1957, what is nowadays the EU (currently 15 member states). The former is an inter-governmental organization and the latter a transnational set of institutions.

Europe faces two main challenges at the moment: the enlargement of the EU and the accession of countries to the East is the first. The second is the resolution of the grave conflicts in South-East Europe (also known as the Balkans), where the disintegration of the former Yugoslavia has left in its wake a trail of inter-ethnic conflicts and destruction.



Legal and Tax Frameworks

During the early years of the twentieth century, when most tax systems were taking shape in Europe, it was not a concern of most European governments to grant privileges to nonprofit organizations. Most privileges were granted on an irregular, case-by-case basis. In general, the United Kingdom and Scandinavian countries have a more favorable legal framework when it comes to the creation of foundations. In the South of Europe, legal frameworks tend to be more restrictive (e.g., France) and in Central and Eastern Europe legislation is either incipient or very dispersed (e.g., Russia). In recent years, the creation of Donors' Forums in many CEE countries (e.g., Czech Republic) has led to concerted attempts at creating or changing the legal frameworks applied to nonprofit organizations in general and to foundations in particular.

In general, taxes on the transfer of capital are not a barrier to the creation of foundations in Europe, but it is more difficult for a foundation to avoid paying taxes in respect to its activities. Operating foundations (as distinct from grantmaking foundations) are generally required to pay VAT (value added tax). The most favorable legal frameworks in Europe are found in Cyprus, Denmark, Switzerland and the United Kingdom.

Although in most European countries donations or gifts are tax deductible (for the donor), the United Kingdom is the only country where there is no limit (other than the donor's income) on the amount of the deduction that can be claimed in one year for a cash donation to a foundation. Some other countries with annual limits on deductions allow relief for excess gifts to be spread over a number of years (e.g., Germany and Greece). Generally, the German, Italian, Dutch and Spanish frameworks are the more beneficial in relation to gifts in kind.

Attitudes to "Philanthropy" and "Foundations"

In 1995, Spain was the country in Europe with the highest level of philanthropic contributions as a percent of GDP (0.9 percent), followed by Britain (0.7 percent), Hungary (0.6 percent), the Netherlands (0.4 percent), France (0.3 percent) and Germany (0.1 percent).

Private philanthropy is not the major source of income for the nonprofit sector in Europe, although in 1995, the Romanian nonprofit sector received 27 percent of its income from private funders (many of them international private foundations). Most nonprofit organizations in Europe obtain their income either from fees charged to the beneficiaries of their activities or through government grants. In Southern Europe, philanthropy tends to be seen primarily as a charitable activity (Church dominated) and many foundations in CEE countries are looked upon with some suspicion due to their lack of accountability and transparency and the resulting abuses of the law (e.g., Russia).

Throughout Europe, governments are still the main providers of funding in the areas of health, education and social services (and many people expect them to continue to play this role in the future). However, a shift in policy in most European countries in the past decade (both in the West and in the East) is leading to a repositioning of governments when it comes to the provision of services and improvement of living conditions for their citizens. Welfare budgets are tighter and there is greater recognition of the important role played by civil society in terms of citizens' engagement and the right to self-organization. This is contributing to the steady development of philanthropic activities in Europe.

Today many multinational companies have corporate social responsibility programs and although the practice is gaining momentum slowly, it is a trend that is permeating businesses at all levels.

Across Europe, foundations and corporate funders are receiving increased attention from policymakers and are taking up a central role in discussions on the future of economic, social and other policies. For governments, independent funders are an attractive option for four principal reasons: they give the government a “human dimension”; they can enter into funding partnerships with governments where every euro of public money goes to the recipient; they complement governments or add resources where the latter are unable to operate due to legal or other restrictions; and they are free of short-term considerations faced by elected governments.

Most foundations in Europe are operating foundations, although many combine their service delivery with some form of grantmaking activity. In Europe, only the United Kingdom, Germany, Italy and the Netherlands have a high proportion of grantmaking foundations.

Estimates for 19 European countries (Western Europe and Turkey) suggest the existence of circa 90,000 foundations (if public, church, commercial and nonprofits labeled as foundations are to be excluded). The EFC estimates that for the whole of Europe this value is close to 200,000 foundations. The situation varies very much from country to country.

Like Europe itself, the community philanthropy movement across the continent is very diverse in terms of approaches and structures. Many of the organizations in Europe responsible for community philanthropy activities could not be described as community foundations in relation to the North American model. That is why the EFC prefers to use the expression “community philanthropy organizations” (CPOs).

Developments in Europe have been so rapid in the past decade that it is only possible to give approximate figures. In 2000, there were circa 95 CPOs. At the beginning of 2001, this number had increased to 132 organizations. In 2001, countries such as the United Kingdom (58),

Germany (20), Bulgaria (13), Poland (12), Russia (11) and Italy (7) were in the European top rank in terms of numbers of CPOs.

Since the mid-1990s, CPOs have flourished throughout Europe. This development is a response to less state intervention and dwindling governmental budgets in the social sphere. It is also the result of greater civil society autonomy and the rediscovery of a local community identity. Even the Council of Europe has adopted the motto “think globally, act locally” and the EU has a number of initiatives focusing on regional/local community development.

Other factors encouraging development of community philanthropy organizations include:

- Decreasing government aid to nonprofit organizations and the need for intermediaries that have the expertise to tap into private sources of wealth and then help to redistribute these resources in the community.
- Government and private foundation recognition that if they want their programs to have an impact at the local level they need to partner with organizations that know the local reality and can provide professional management of funds.
- New models of community development which seek partnerships at the local level between local authorities, and the business and nonprofit sectors. Community philanthropy organizations can work as catalysts and convenors at the local level and promote active community development (with citizen and institutional engagement).

Countries in Southern Europe (where the Church has played a crucial role in terms of local philanthropy) and in Northern Europe (where the generous welfare state has stifled people’s local initiative) are sometimes reluctant to adopt this model of philanthropy. It is seen by many as a competitor of traditional philanthropists or the state. Nevertheless, these countries are increasingly open to the idea of building communities through local giving, to complement existing provision, to respond to new challenges/needs, to experiment with new models of social intervention and to take risks, or to build upon a sense of local identity and civic engagement.



Tradition of Voluntary Organizations

It is difficult to know how many people volunteer in the whole of Europe, but a study of the EU in 1990 showed that one in four Europeans undertook unpaid work for a variety of charitable causes and voluntary groups.

Voluntary work in Europe in its modern format dates back to the end of World War II, when many of the current major organizations operating in this field were created (namely those that cater to young people and youth issues in general). In Central and Eastern European countries, the communist model of voluntary work after the war, seen by many as forced labor in disguise, led to a general depreciation of the social value and status of volunteering. This attitude is, however, changing.

The recent changes in Southern Europe (e.g., the resurgence of democratic regimes in Greece, Portugal and Spain) as well as in CEE countries (the fall of communism) have led to the development of a very dynamic and creative voluntary sector across Europe. European countries with longer democratic traditions (e.g., the United Kingdom and Scandinavia) have had a thriving voluntary sector since the beginning of the twentieth century. The recent creation at European level of the European Voluntary Service (a program of the EU open to 31 European countries) has led to an increase of funds and activities in this area and to a policy drive for a better legal framework for volunteers in Europe.

Developing Community Foundations

Background

The Community Philanthropy Initiative (CPI) was formally initiated as a project in January 2000 and will conclude its first phase of operations in December 2002 (a new three-year phase is planned). The project started to take shape in 1997 with the secondment of Suzanne Feurt by the Charles Stewart Mott Foundation to the EFC. Suzanne's insight and skills were crucial for the creation of CPI as a sustainable and long-term project inside the EFC. In 1999, CPI was presented as a long-term project to members of the EFC and was officially approved by its Governing Council to start activities in the following year.

Although CPI focuses on community foundations, its wider role is to promote and help sustain the development of Community Philanthropy Organizations (CPOs) in Europe. In fact, CPI bases its mission on the concept of community philanthropy:

“Community philanthropy is the act of individual citizens and local institutions contributing money or goods, along with their time and skills, to promote the well-being of others and the betterment of the community in which they live and work. Community philanthropy can be expressed in informal and spontaneous ways such as citizens and local businesses helping other residents in times of crisis. Community philanthropy can also be expressed in formal, organized ways whereby citizens give contributions to local organizations, which in turn use the funds to support projects that improve the quality of life in the community. These Community Philanthropy Organizations serve as vehicles to nurture, sustain and enhance community development, and make it possible for individual citizens to have a larger impact than acting alone”.

CPI concentrates its attention on the latter form of community philanthropy.

CPI's goals are:

- To strengthen existing CPOs and facilitate the establishment of new ones;
- To build the capacity of emerging and established national community philanthropy support organizations and informal networks;
- To increase awareness, knowledge and understanding about issues, trends, needs and opportunities affecting CPOs;
- To promote and advocate on behalf of the community philanthropy movement to key target audiences in Europe; and
- To build a strong and sustainable European-level network of CPOs, national support centers, donors and other interested groups.

Some European organizations are very similar to the community foundation model found in the United States, while others combine the characteristics of typical community foundations with those of a United Way or of a Rotary Club, for instance. Many European CPOs do not have endowments, especially in CEE countries. In some European countries, CPOs combine traditional aspects of community foundations' work with development of their own projects in the community, organization of annual fundraising campaigns, organization of social and cultural events in the community, and active participation in local development projects initiated by other institutions, such as their local authorities.

CPI sees endowment as a special advantage of community foundations. Whether consisting of unrestricted or restricted funds, an endowment ensures perpetuity and predictability. With an endowment, the needs of the local community are served on a long-term basis and grantmaking programs can be planned with some degree of long-term certainty. An endowment gives real financial stability and enables organizations to function successfully during the years when, for instance, donations decrease.

Although CPI does not promote endowment building as the primary responsibility of Community Philanthropy Organizations in Europe, it emphasizes the benefits of having an endowment and insists on a strategic plan where endowment building appears as a clearly defined goal. In many European countries, obtaining donations for endowment is very difficult, and in some cases there are few opportunities to invest these funds efficiently (e.g., lack of a strong or stable stockmarket or limited banking services). CPI believes that CPOs can start by obtaining donations from a variety of sources at the local level and in this way make an impact in the community through grants to significant projects, while simultaneously investing in long-term relations with donors, with a view to building endowment.

CPI does not see the role of CPOs as a replacement for state intervention, but in many ways as a complement. CPOs develop a range of practices dedicated to increasing the strength and effectiveness of community life, improving local conditions, especially for people in disadvantaged situations, enabling citizens to participate in public decisionmaking and debate, and building social capital. In most European countries in recent years, welfare budgets have been reduced, leaving many people in the community unprotected. CPOs exist to provide additional help, to promote creativity and a sense of empowerment in the community (i.e., being in control of one's circumstances). CPOs help to build active communities through grantmaking in areas such as education, health, the environment, children and youth, the elderly, historical and cultural heritage, ethnic minorities and women, among others. Every community decides where intervention is needed and responds by raising the funds and goodwill of its local citizens. That is why CPI's motto is "building communities through local giving."

Size and Population of Area(s) Covered

The population of the 15 member states of the EU stood at 375 million people in 1999 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Luxembourg, the Netherlands, Ireland, Italy, Portugal, Spain, Sweden, and the United Kingdom). The population of the potential members of the Union, i.e., the 12 countries that are in the process of membership negotiations, was around 106 million people for the same year (Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic, and Slovenia). Russia's population stood at circa 148 million people.

Resources, Aims, Activities and Achievements

Staffing for Community Foundation Work

CPI is staffed by one Coordinator, one Assistant Coordinator and one Volunteer. The first Coordinator was seconded by the Charles Stewart Mott Foundation, and the first Assistant Coordinator started as a Volunteer with the project. Both left the EFC in October/November 2000 to pursue new professional careers. Finding adequate replacements took longer than initially expected.



Sources of Funding for Community Foundation Work

2000-2002 - All amounts in euros

CPI Direct Project Income	Fixed	Matching Fund
Atlantic Philanthropies	250,000	100,000
Charles Stewart Mott Foundation	146,728	-
Sub-total 1	396,728	100,000

The Matching Fund is granted on a 1:1 basis and only funds raised from European donors are eligible.

CPI Indirect Project Income	Fixed	Eligible for Matching Fund
Bertelsmann Foundation (TCFN website)	22,500	22,500
Fundação Oriente (CPI Volunteer)	7,500	7,500
King Baudouin Foundation (TCFF services)	3,000	3,000
Miscellaneous (training)	681	504
Sub-total 2	33,681	33,504
Total/Difference	430,409	-66,496
Total Income with Matching Fund (August 2001)	463,913	
Total Income with Total Matching Fund:	530,409	

During 2001, and the beginning of 2002, the priority for CPI has been to raise the outstanding amount of 66,496 euros of the matching fund. In the first semester of 2001, only 10,500 euros were raised.

It seems that most potential European funders are interested in contributing if asked to cover a specific item of the budget or if provided with a concrete return, i.e., service, from CPI. Funders in the United States, for instance, will more easily invest in the development of the overall project in an unrestricted manner. This does not mean that European funders are not interested in the concept or that they do not recognize merit in it, it merely reflects different giving traditions on each side of the Atlantic. Furthermore, because many European foundations are operating foundations, they are less flexible about funding an external project such as CPI.

Budget for Community Foundation Work

2000-2002 - All amounts in euros

Status	Approved	Approved	Draft
Costs	Year 1 (2000)	Year 2 (2001)	Year 3 (2002)
Personnel (3 people)	97,000	98,000	101,900
Consultants	30,000	20,000	15,000
Travel/Meetings (includes scholarship fund for annual networking meeting)	35,000	55,000	48,500
Office Costs	3,600	4,000	4,444
General Operating Costs	37,750	38,400	27,494
EFC Administration	21,650	21,600	19,889
Total Budget	225,000	237,000	217,227
Total Costs Years 1 to 3			679,227

For the first two years of the project, due to staffing difficulties mainly, the project's expenses were lower than foreseen. This will allow the EFC to compensate for the difference between projected total income and costs, as well as to reduce some costs for 2002 (possibility of transferring results from the previous two years).

Activities Specifically Related to Community Foundations

Information:

a) Regular Electronic Bulletin

The first issue of this bulletin was published in April 1999 and a second one was published in August of the same year. In 2000, five issues were published. CPI intends to send the bulletin out monthly in future. Contact with key partners has shown that they value this service, as there are few opportunities to obtain information about developments in the field of community philanthropy, covering the whole of Europe.

b) Dossier of Basic Resource Materials

CPI provides interested individuals and organizations with a package of general documents (e.g., brochures, reports, etc.) in the field of community philanthropy and foundations as part of its regular promotion work. This information package contains documents produced

in the past two to three years by important players in the field of community philanthropy. CPI felt that there was no need “to reinvent the wheel” and that many existing publications covered the basic information for an introduction to the topic of community philanthropy. The package is updated regularly, to ensure that it remains relevant to the field.

CPI also responds to specific requests for information. This usually involves more detailed research and a personalized package of information. Regular exchanges are held with people in many parts of Europe (namely CEE and Southern European countries) where CPOs do not yet exist, responding to their questions as they arise. CPI often provides individuals and organizations with personal contacts in Europe and beyond, to help them to pursue their interests further.

c) Monographs on Specialized Topics

CPI is currently planning a monograph, on the local impact of CPOs’ grantmaking activities in Europe. The objective is to show how CPOs are making a difference at the local level, promoting true community development. If CPI can prove the value of CPOs’ work, by showing the impact of their grants, it believes it will be able to make private and public funders more aware of the potential of CPO’s.

d) Website

CPI has a homepage on the EFC’s website. The homepage has developed considerably since 2000. CPI plans to include documentation in different European languages about community philanthropy and to provide people with more links to other relevant sites. The goal is to make the site reflective of the diversity of the movement and to provide an introduction to the concept of community philanthropy, a picture of developments at the European level and access to other links giving indepth information about the field. The upkeep of our homepage is labor intensive, but there are considerable benefits in having a dynamic and informative page.

The EFC’s website currently hosts the website of the Transatlantic Community Foundation Network (TCFN), a project managed by the Bertelsmann Foundation

(Germany), supported and advised by the Charles Stewart Mott Foundation (United States). This site contains links and information about community foundations in the United States and Europe.

e) Periodic Review of the Field

At the end of the year, CPI publishes a short review, for each European country, containing information about the year’s most significant developments in the field and highlights of potential future developments in Europe.

Networking, Technical Assistance and Training:

a) Annual Networking Meeting

The first Annual Networking Meeting took place in Turin, Italy in 1998. It started as a half-day meeting, expanding to a one-day and a half meeting in 2001—the fourth annual meeting. The first meeting included circa 20 participants and in 2001, 51 people attended. The objective is to consolidate the meeting as the networking opportunity for CPOs and support organizations in Europe, allowing for a more defined identity to be developed for this meeting, but maintaining its place within the framework of the EFC’s Annual General Assembly, under the general denomination of Satellite Events. This meeting is also intended to be the “entrance door” for organizations or individuals interested in the concept of community philanthropy, who have not had the chance to make contacts in the field. The 2002 meeting will take place in Brussels, Belgium; CPI plans to use this opportunity to raise its profile among European institutions such as the European Parliament and the European Commission.

b) Conferences and Seminars

Since 1997, the EFC has organized conferences and training seminars in the field of community philanthropy. An average of three events, apart from our Networking Meeting, are organized or co-organized by CPI every year. One of the main objectives is to promote the concept of community philanthropy, including the achievements and good practice of European CPOs. CPI participates in events outside Europe, informing others about CPI and the situation in Europe.



During the EFC's Annual Conference, CPI organizes at least one session directly related to community philanthropy. This allows CPI to reach a larger and wider audience than that attending the Annual Networking Meeting.

c) Peer Exchange Opportunities

Peer exchange opportunities are organized mainly through the Transatlantic Community Foundation Fellowship (TCFF), managed by the King Baudouin Foundation–KBF (Belgium) and the German Marshall Fund of the United States. This program allows five European and five U.S. fellows from community foundations/CPOs to spend three weeks abroad and exchange information and good practice. CPI sits on the European Advisory Committee and helps the KBF with the organization of activities related to the program, as well with preparation of specific materials (e.g., reports, promotion, and recruitment efforts, among others.).

d) Resource Group of Community Philanthropy Experts

CPI has been exploring the creation of a “Steering Committee” which will be composed of six European experts in community philanthropy. The main purpose of the group will be to help set the political agenda for CPI and to provide informed guidance for future activities and initiatives. It is hoped that the group will also increase the sense of ownership at the European level, making CPI more accountable and more relevant to those dealing with the day-to-day work of CPOs and their support organizations across the continent.

e) Training Activities

Since 1997, the EFC has provided numerous people and organizations with training in the field of community philanthropy, through specific events and participation in more general events where audiences show an interest in community development issues or new forms of philanthropy. E-mail has proved to be a powerful tool for long-distance training, with many individuals and organizations asking for input and feedback on specific topics. CPI engages in extensive communication with these client groups, providing them with individualized information/advice and examples of good practice from all over the world.

Research:

a) Comparative Research

CPI is currently planning a document with basic statistical information on the community philanthropy movement in Europe. This will include information about the number of well-established CPOs per country; the number of potential CPOs and information on their main features, such as endowment values and yearly growth; main types of donations and donors; main activity (operational or grantmaking); amount and types/areas of grants; governing structure; staffing; volunteers; and local partnerships. Without this sort of factual information, it is difficult to represent the European movement in relations with key institutions of European government.

b) Studies on best practice and factors that help or hinder the growth of community philanthropy (e.g., cross-border giving and potential new donors).

Throughout 1998 and 1999, CPI was particularly involved in debating the potential of cross-border giving in the framework of community philanthropy. In 1999, a meeting was organized together with the Charities Aid Foundation (U.S. branch) in the United States to address this issue with an international audience of community foundations. Diaspora philanthropy continues to be seen as an important topic for many CPOs in Europe and our networking meeting in 2001 addressed this issue.

Lobbying and Representation:

a) Advocacy activities targeted at European institutions, national and local government officials

This is one of CPI's top priorities. All activities will be carried out in cooperation with the EFC EU Affairs department, to ensure best use of resources and avoid duplication of effort. Because the EFC pursues a number of high level initiatives with European institutions, especially with the European Commission, it is very important that CPI's activities conform with EFC overall policies.

Contacts with the European Parliament are particularly complex because there is no single committee dealing specifically with issues related to community development. Many of the areas of interest to CPOs are spread out among different committees (e.g., education, culture, youth and the media; employment and social affairs; and regional development, among others). Finding the right strategy to tackle this diversity will be a major challenge.

b) Special Briefing Materials

CPI plans to review its provision of special briefing materials. In the past, these have not been sent out regularly. One objective is to inform European CPOs about the different EU programs from which they could benefit, explaining to them both the pros and cons of accepting EU money (i.e., the EU programs may be a source of additional funding, but they do not allow their grants to be used for endowment purposes or for re-granting, and the reporting specifications can be quite burdensome).

Corporate Outreach:

- a)** Outreach activities targeted to businesses active in Europe, including specialized resource materials, and examples of successful partnerships and links with key business networks

Together with colleagues from the EFC Corporate Citizenship Europe department, CPI is planning a brochure for 2002, similar to one developed by the Council on Foundations in the United States, telling businesses about the benefits of giving to community foundations. The initial target group will be multinational corporations with several branches in different European countries, and thus with an interest in having an impact in the local communities where they operate.

IV *Key Tensions and Challenges*

In the beginning, it was not always easy for the Community Philanthropy Initiative to find its place within the overall structure of the European Foundation Centre. Some colleagues saw CPI as a special project bearing little resemblance to the rest of EFC's work. Efforts to integrate CPI more and more into the daily routine of the EFC, and to establish links with other departments and projects, have slowly created more synergies and allowed European members of the EFC to become more aware of the importance of community philanthropy in the global philanthropic arena. But this is an ongoing process requiring constant attention.

At present, not all European countries have active CPOs operating in their communities. CPI sees bringing community philanthropy to these parts of Europe as one of its medium-term challenges. The challenge will be to ensure that these potential new countries see community philanthropy and its organizational forms as something "European" and not an imported model with little relevance to local contexts. CPI needs to demonstrate the significance of CPOs in promoting local development and new forms of philanthropy in Europe.

The diversity of the community philanthropy movement in Europe is both an opportunity and a threat. It is an opportunity because it reflects the potential of the community foundation concept to adapt to different local communities over time. But diversity is a threat in that it may lead people to see the movement as lacking unity and a common identity. The different stages of development and different models of community philanthropy being pursued in Europe are an asset, but sometimes an obstacle to effective representation of the overall interests of the movement.



In the next five years further development of community foundations in Europe will require:

At the National Level:

Learning How to Deal with Local Authorities:

In Europe, local authorities play a very important role in most countries in terms of community development policies, and CPOs have been reporting on the difficulty of keeping a balanced and independent relationship with local authorities. On the one hand, most CPOs need the support of local authorities to be established and to implement their action plans. On the other hand, they are also aware that many local authorities may wish to use their grantmaking capacity for political purposes, and in this way put at risk the accountability/transparency and independence of the organization. An example is when local authorities are represented on the boards of CPOs, as is often the case in many European countries.

Moving Beyond International Funding:

Many European CPOs have been established with the financial help of international funders. Although this has been crucial in their start-up phase, it has also presented a challenge to many of them, by slowing down their local fundraising, or contributing to the impression among local donors that their gifts are not really needed (this is the case in some CEE countries, although some CPOs in Western Europe face the same predicament).

Being Able to Cover for Operational Costs:

Many European CPOs are facing the difficulties of covering operational costs in the first years of their existence. The need for covering these costs sometimes restricts the necessary freedom to concentrate on more aggressive asset building. Being able to pay for their running costs is something that worries most CPOs in Europe. In the United Kingdom, Germany and Poland, for instance, national funders (in this case, foundations) have been responsive to this need and have provided community foundations with some support in this area. However, this is not the case everywhere else. Some local donors often do not see the point in giving money for operational purposes, seeing in it a waste of resources that could otherwise be used immediately to make grants. They forget that good grantmaking requires a professional structure behind it.

Professionalization:

Many European CPOs are run exclusively by volunteers. Although this is typical of most organizations when they are young (e.g., boards are responsible for the day-to-day operations as well as political governance), many CPOs are not able to hire members of staff after two or three years of operation, putting at risk their future development and consolidation.

Creation of National Networks of CPOs:

As more and more CPOs appear in Europe, and as their concentration at the national level becomes greater, they will have to look at whether it makes sense to formalize their networks. By formalizing their networks, these organizations can begin to work towards common standards, share information, and represent their interests in a more coherent and unified manner. In fact, this is already happening in some countries, beginning in the United Kingdom with the creation of ACTAF in 1990 (now Community Foundation Network). There are also active discussions in Germany and Poland, for instance, to do the same for providing support to their CPOs. These networks could, for instance, be most successful in helping to lobby for more favorable legal and taxation frameworks and, eventually, to tackle national sources of funding either via private or public institutions.

Stable Financial Markets:

Stability of financial markets is an environmental aspect of CPOs' work that they cannot effectively control. The fact is, however, that in many of the CEE countries the lack of a stable financial market, the absence of an equity market, or even a weak and conservative banking sector, do not provide many opportunities for professional investment of their assets. This makes endowment building, for instance, impossible for many CPOs, which must therefore concentrate on flow-through gifts that allow them to make immediate grants and raise the standing of their organization in the community.

Legal and Taxation Frameworks:

Although in most European countries incentives are given to those who donate for charitable purposes, certain countries do not have specific legislation in this field. A few others have legislation that discourages this type of giving (e.g., the Slovak Republic) and yet others have such complex systems that most people find it hard to understand what exactly is allowed or possible. In Bulgaria, for instance, gifts in cash to any charitable NGO must be cleared of any suspicion of money laundering before being accepted, something that most CPOs find too burdensome and difficult to prove. On the other hand—and this is related to professionalization—many CPOs are not fully aware of the scope of their legal and taxation systems, and are unable to advise potential donors of the benefits that they might derive.

At the European Level:

Promotion of the Concept:

It is fundamental that more and more organizations and people must know about community philanthropy in Europe, including decisionmakers and other European NGOs working in the same or related fields, to disseminate the results of the good work that CPOs have been accomplishing throughout the continent.

Training and Peer Exchanges:

Because Europeans are still, in general, experimenting with the concept, it will be fundamental to provide them with training opportunities at the European level. It would be very beneficial to bring people together at least twice a year (e.g., groups of 20 staff members maximum, such as directors and program officers) to provide them with insightful input from experts in the field and to give them the opportunity to learn from one another. This is, in fact, one of CPI's concrete objectives for its second phase of operations after 2002.

As the community philanthropy movement matures, it would also be important to provide staff members and key volunteers with the opportunity to exchange their knowledge at the intra-European level (a program similar to TCFF but within Europe). This would contribute to a sense of greater unity for the movement in Europe, and could lead eventually to the creation of more common standards across the continent.

Research:

There is virtually no research in Europe about CPOs and the field of community philanthropy. If it is a shared wish to create a strong European movement and to promote the lessons of its work within and outside Europe, and to improve its activities and results, those active in the field in Europe need to have access to research. In fact, the EFC believes that research about the field in Europe would be beneficial for the entire philanthropic world, since very little research is done on a European scale.

A Common Platform for Europe:

At some point in the development of the European community philanthropy movement, it will be necessary to think about the common interests of all those involved. CPI hopes to be, in a way, the embryonic stage of such a future platform, one that could more formally represent the European movement at the European and worldwide level, in close cooperation with the national associations of CPOs that exist or are about to be created in several European countries. This is something that will probably take place only in the next five to ten years, but is a promising prospect for the New Europe.



Fondazione Cariplo Foundation



This case study includes a focus on how a private foundation has recognized and put to good use the community foundation model in getting to the grassroots in the local communities it serves.

I *The Whole Organization*

Background

The subject of this case study is Fondazione Cariplo, or the Cariplo Foundation, based in the Lombardy Region of Italy, which is in southern Europe. Lombardy Region is in the far north of Italy. The case study looks at the development of community foundations in that region, as a result of the privatization of Italian savings banks and the creation of savings bank foundations.

The Fondazione Cassa di Risparmio delle Provincie Lombarde (Lombardy Provinces Savings Bank Foundation), also called Fondazione Cariplo, is the direct descendant of the Cassa di Risparmio delle Provincie Lombarde (Lombard Provinces Savings Bank) which through the nineteenth and twentieth centuries became the largest savings bank in the world. The Cariplo Foundation was formally created in December 1991 as part of the restructuring process resulting from implementation of the Amato-Carli Law to rationalize and privatize Italy's lending institutions. The effect of the law was that the savings banks were transformed into a for-profit corporation whose shares would be owned by a new nonprofit corporation, which adopted the title of "fondazione" (foundations). When the Foundation and Cariplo Spa (the for-profit corporation) split in 1991, the Foundation inherited the mission of operating on a nonprofit basis, in the public interest and pro bono in several fields, including art, culture, education, scientific research, healthcare and disadvantage.

In January 1998, the Foundation promoted the merger of Cariplo and Ambroveneto, creating Banca Intesa, which with the addition of Commerciale Italiana has become IntesaBci, the largest Italian bank.

Mission and Objectives

The strategic goal of the Cariplo Foundation is to become a leader in social and economic development within the territory it serves. The Foundation wants to legitimize itself as a driving force for development but without abdicating its core activity, which has been, and still is, grantmaking, proposing and stimulating independent and direct actions based on in-depth analysis, specifically targeting the Lombardy community and the areas where it has traditional links. The Foundation makes grants in the areas of scientific research, education, the arts, heritage, environment, health, social services and economic development.

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The Cariplo Foundation makes three major types of grant:

1. Institutional grants that the foundation gives every year to some important institutions such as La Scala (the famous opera house);
2. Foundation program grants, i.e., competitive grants in the sectors noted above; and
3. Local grantmaking in each of the provinces of the Lombardy Region (run by the community foundations which are the subject of this case study).

Financial Resources

The Cariplo Foundation has assets currently estimated at more than 14 trillion lire and a grant budget for 2001 of approximately 240 billion lire. [As of November 13, 2001, 1 Italian lire = approx. US\$0.00046.]

Staffing

As of August 2001, the Foundation had 30 employees and ten outside consultants. Until that time, decisions were made by the Board of Directors with very little input from staff. The main function of staff was to process grant requests, inform recipients, collect invoices, pay grants and other clerical functions; there had been very little analysis of the merits of applications. Since the Foundation has introduced its own grantmaking programs focused on particular areas, there arose a need for program officers to establish criteria and assess applications against those. Most existing staff members came from the bank; the Foundation paid the bank for their services and the bank paid the staff. By the end of 2001, the Foundation expected to have its own program officers and staff who wish to stay with the Foundation will become its employees.

Governance

Central to the Foundation's new charter, approved by the Finance Ministry in 2000, is the creation of a renewed structure of corporate governance. This includes the introduction of a 40-member Steering Body comprised of Directors nominated by local governments—the Regional government of Lombardy, the City of Milan, the Lombardy provinces—and by the provinces of Novara and Verbania,

together with civil society leaders from the Foundation's fields of interest (social assistance, health, scientific research, the arts and culture etc.).

The Cariplo Board has the normal responsibilities of a foundation board: developing the overall strategy, electing the president and the executive committee, approving the budget and so on.

Procedures to appoint the Board are complicated. Half of the Board are appointed by a number of public institutions that each present three names and the past Board member chooses the new member from amongst these names. The other half of the Board is chosen by civil society organizations.

The Cariplo Foundation, like all the other Italian savings banks foundations, is under the supervision of the Treasury. In practice, it also needs to gain the support of the local public administrations in Lombardy (Region and counties) who appoint half of the Board, but this is not a formal requirement. The Cariplo Foundation also needs to develop its legitimacy with the general public. At the moment very few people know what the Cariplo Foundation is and most identify it with the Cariplo Bank. Considering that the savings bank foundations have been established by law, there is always the possibility that new laws will diminish their autonomy and force them to use their revenues for specific purposes. This means that one of the major stakeholders of the Foundation is the general public—the Foundation must be accountable to the public, but this is more a matter of political self-interest than a legal requirement.

Specific arrangements and processes are still being developed. For example, there are currently greater efforts to provide more transparency and better information for the community, but these arrangements are at a very early stage.

When the structure of the Foundation is formalized, there will be a number of senior program officers responsible for the different programs, including one with special responsibility for community foundations. Until then, all decisions regarding the community foundations program are made by the Board, but at present it is too concerned with designing the overall Foundation structure to have much time for dealing with specific projects.



II *The Environment*

Economic and Political

Lombardy, the target region for the Foundation's activities, has a population of more than nine million people in an area of almost 23,000 square kilometers, and is the economic center of Italy. In 1999, Lombardy's GDP was almost 500 trillion lire, over 100 million lire for every person employed. The rate of unemployment is low and Lombardy currently imports manpower from other Italian Regions and from abroad, especially from non-European countries. Some 5 percent of people in Northern Italy live below the poverty line.

Since the fall of the Berlin Wall, Italy has undergone dramatic change. Until recently, the received idea was that anything public should be managed by the state; today, the principles of solidarity and subsidiarity are key values, advocated by the vast majority of Italians.

It is striking that none of the political parties of the 1980s is active today. The political parties have radically changed their role in society. The ideological movements of yesterday, capable of controlling the whole of civil society, have become electoral machines similar to the American political parties, and the budget limitations imposed by Italy's entry into the EMU (European Monetary Union) have drastically reduced the discretionary spending power of the political class. Whereas it was once inconceivable to establish private organizations with public objectives without the direct involvement of the political parties, today this is not only possible but also a widely accepted requirement.

Attitudes to "Philanthropy" and "Foundations," Tradition of Voluntary Organizations

The changes above have had radical implications for the Third Sector in Italy. But although the sector has grown significantly and its operational capabilities have increased, most organizations are still run by volunteers and have no full-time staff to rely on.

Until a few years ago, foundations, other than operating institutions managing their own projects and seeking funding from state bodies, barely existed. This has changed dramatically with the establishment of the grant-making bank foundations, of which Cariplo is the largest. Recently, the first corporate charitable foundations were established in Lombardy. The foundation concept, once regarded as nothing more than a relic from the Middle Ages, is attracting considered interest today, although their role is still marginal in terms of both the resources and professional skills they are capable of mobilizing.

Legal and Tax Frameworks

The most prevalent legal form for foundations and non-profit organizations is the ONLUS, but this is somewhat restrictive (for example, education and cultural activities are not considered "for the public good" as elsewhere in the world, unless they target disadvantaged groups), and offers limited tax advantages. The possibility of developing more open and complex structures is being considered which might include a non-ONLUS foundation and a committee or association that follows the ONLUS guidelines. But under current Italian law, it is difficult to set up an institution, including a local community foundation that could act as a go-between.

III *Developing Community Foundations*

Background

After the establishment of Banca Intesa and the resulting separation from the bank, Cariplo Foundation found itself without an organization "on the ground." In the previous system, access to Cariplo grants was through the bank branches; now applicants had to approach headquarters directly (based in the city of Milan). At the same time, the Foundation could no longer count on the knowledge of the geographical area and the specific needs of each community that branch managers could provide.

It would have been impossible from the Milan headquarters to serve the large and complex area covered by Lombardy's provinces and those of Novara and Verbania. At best, Milan could provide a screening service to guarantee that the beneficiaries met the formal prerequisites for funding, but they could only assess the merits of individual applications with great difficulty and at high cost. In-depth knowledge of the local community was required to evaluate the real impact of specific projects, establish priorities, and distinguish those applicants who can be truly effective at the grassroots level from those who are good at filling out grant applications but who have no real operational experience. Thus there was a need for a new regional organization.

Another factor drove decentralization. In its philanthropic activities, the Lombard Provinces Savings Bank used to disburse a large quantity of small grants. Managing this approach from a central location made poor economic sense, as the cost involved in assessing and processing a single application could be higher than the grant disbursed.

The most obvious solution to these problems was a decentralized structure for the Foundation that would replace the Bank's old branch system. Knowing that this approach would create a top-heavy bureaucracy, Cariplo Foundation decided to investigate other alternatives, examining how the same issues were resolved by large U.S. foundations. It was found that, arising from similar concerns to those of the Cariplo Foundation, the major U.S. foundations had promoted the establishment and growth of local community foundations to provide "eyes and ears" able to perceive the needs and requirements of their community, and to develop relationships with small organizations. As grantmaking institutions, community foundations speak the same language as other foundations, as well as having knowledge of the community, of its needs and potential, and of the nonprofit organizations at work within it. In addition, community foundations were seen as catalysts of energies and capable of mobilizing enormous resources.

Using Community Foundations on the Ground

On the basis of this analysis, and the knowledge that it was not a solution that worked only in the United States, Cariplo Foundation decided to launch a project to establish local community foundations in Lombardy and in the provinces of Novara and Verbania. The ultimate goal was to create a network of institutions, self-contained and independent of the Cariplo Foundation, which could act as natural partners, mobilizing local energies without burdening the organizational structure of the Foundation.

Motivated both by the organizational structure of the Cariplo Foundation (each province has at least one director on the Board) and the practical need to demarcate each community clearly, it was decided that the project should operate at a provincial level (although there have been exceptions to this). It was agreed that community foundations should have three major roles. They should:

1. Develop accurate and in-depth knowledge of the needs and potential of the civil society within their territories;
2. Establish an operational structure for distributing and monitoring small grants to nonprofit, pro bono organizations; and
3. Provide wide-ranging and coordinated services to potential donors.

The third objective generated some skepticism. The substantial differences between American and Italian society, the absence of adequate tax incentives, and the novelty of the idea, seemed to indicate that the development of community foundations would be different in Italy. For this reason, the project initially focused on the first two objectives, leaving the third until later.

The prime characteristic of the project was that it offered a challenge: Cariplo offered an opportunity and dictated nothing. It was—and still is—up to each community to decide whether the project is of interest to them and then mobilize the resources necessary to bring it about, recognizing that the new foundation will not be a branch of Cariplo Foundation, but a totally self-contained and independent entity.



To participate in the project, the community has to submit to Cariplo Foundation a proposal containing the following elements:

1. By-laws allowing the local foundation to incorporate under Regional legislation, as an “ONLUS” agency (nonprofit, pro bono agency);
2. A three-year strategic plan, including an operating budget;
3. An authoritative, representative and independent board of directors;
4. Its own staff made up of volunteers or employees capable of reaching the goals outlined in the plan; and
5. Adequately furnished and equipped offices.

The local community must also assume all management costs. This last element was seen as important in avoiding bureaucratic structures and, at the same time, allowing the local community to show interest in the initiative, not in words alone, but with action. The foundation can become an asset that the local community will come to own, but only if they are willing to invest time and money in it.

Once the proposal has been approved, Cariplo Foundation disburses an initial grant of 100 million lire necessary to receive approval by the Lombardy Region (150 million in Piemonte) and, at the same time, establishes an endowment of 9.9 billion lire (9.85 in Piemonte). The idea behind the endowment was to guarantee the existence of the foundation even if local contributions failed to come in. And if, for any reason, it were impossible to create a local community foundation on the U.S. model, the project would still have met the two key requirements of the Cariplo Foundation: development of community awareness and management of small grants. It is worth noting here that Cariplo Foundation decided early in 2001 to move “territorial funds” (grant-making funds earmarked annually for each provincial jurisdiction) through the community foundations.

Approval of the strategic plan allows the foundation to access two “challenge grants.” The first grant qualifies the local foundation to receive a further contribution in the amount of 200 million lire to be used for public projects during the first year of operations, when the returns on the endowment fund have not yet matured, as long as the foundation can raise a matching amount for the same objectives. The goal of the second grant is to add another

20 billion lire to the local foundation endowment fund. The Cariplo Foundation will match each donation to the endowment fund of the local community up to a total disbursement of 10 billion lire. Once the “challenge grant” has been received, the local foundation can count on an endowment of 30 billion lire: 10 + 10 on the part of Cariplo and 10 to be raised in the community. At first it was thought it would be sufficient for the local community to raise five billion lire locally to qualify for the 10 billion lire from Cariplo, but the success of the initiative showed the bar could easily be raised.

Aware of the difficulty and complexity of the task, Cariplo Foundation gave organizing committees free access to its experts, its privileged investment channels, training opportunities, remote online support and other information systems so as to guarantee rapid exchange of information with Cariplo and the emerging foundations.

The project was presented to the public at an international conference in Milan in April 1998, and was then launched on a trial basis in four provincial jurisdictions: Bergamo, Lecco, Mantua and Sondrio. In each jurisdiction, different approaches were taken, making it easier to understand the most efficient road to take. The experimental phase ended in early 1999 and provided some interesting insights.

The Lecco Foundation: A Successful Case Study

The first step in developing a community foundation for the community of Lecco was to form a special Honorary Committee. The goal was to overcome the skepticism usually felt towards a new project, especially when there are no previous national models. To this end it was considered important to identify a group of prominent and representative individuals who could influence public opinion by supporting the project.

The committee included representatives from the major community institutions. It was relatively easy to bring on board the civil governor, the president of the provincial government, the bishop's representative, the mayor, the president of the local Chamber of Commerce, who also represented the University. Also on board was the Commissioner of the Cariplo Foundation—that is, Lecco's representative on the Foundation Board, who was the real promoter and manager of the initiative. The Honorary Committee's first agenda item was identifying the members of the organizing committee, since it was clear to all that the Honorary Committee would not have the time to oversee all the activities necessary to prepare the proposal to be presented to Cariplo Foundation. The support of a more operational body was clearly needed.

CONTINUED →

The Lecco Foundation *CONTINUED*

Following individual meetings between members of the Honorary Committee, the Commissioner of the Cariplo Foundation and the consultants retained to offer technical assistance, members of the organizing committee were identified before the annual Italian summer holidays, when it is difficult to bring people together.

The authorities charged with nominating the members of this committee were extremely careful to avoid any political influence in their choice. Two main criteria were used to select the individuals appointed to develop the strategic plan: geographical origins and professional expertise. Attention was paid to ensuring that the committee included at least one resident from the each local community in the province. Apart from the Cariplo Foundation Commissioner, a businessman with a keen passion for art, the members selected include:

1. One of the most prominent notaries in Lecco;
2. The social director of the local public health unit;
3. The head of the Department of Anesthesiology and Intensive Care (who is also president of the Italian Society for Palliative Care);
4. A businessman especially interested in the conservation of the historical and cultural heritage of the region;
5. A lawyer with a long history of social involvement;
6. The assistant director of Caritas Ambrosiana (a humanitarian organization); and
7. A pharmacist who is also mayor of a local town.

The members of the organizing committee have become the members of the Board of the foundation, with the sole exception of the pharmacist who was replaced by an architect/university professor, and a leading businesswoman.

This organizing committee played a crucial role in the success of the entire operation. It had the task of preparing the strategic plan to guide the Foundation's activities for at least the first three years, the most sensitive period for the future of the institution. It also had an operational role as the only body that could bring the project into being, mobilizing the energies needed to make it happen. The committee was charged with developing a business plan that was rigorous, consistent, feasible and capable of integration with the needs and interests of the local community, as well as with identifying the best approach to secure the active involvement of a large number of citizens in the foundation. One of the goals of the foundation is to attract those who have given up on social and public engagement— not because they lack a

sense of civic duty, but because of a disillusionment with institutions that have failed to gain their trust.

It was decided to postpone the active involvement of citizens and develop a strategy to confront local issues only after the foundation became established. This approach arose from the difficulties that a committee made up of volunteers would have encountered in a public debate and by the desire to avoid possible political pressure that would have created conflicts and made it more difficult to create a local foundation. It was also felt necessary to show a solid and efficient approach that would be in tune with the local culture that stresses action rather than words. To avoid any mistrust on the part of those who might fear that the initiative was simply a power-grabbing operation, the members of the organizing committee decided to set an example by working without pay and by contributing to the working capital of the Foundation. This raised over 20 million lire.

After the creation of the organizing committee, it took only six meetings to prepare the presentation to Cariplo. These meetings produced the by-laws and the program guidelines that will determine the activities of the Foundation over the next three years.

The proposal to raise the resources needed to take up Cariplo's 200 million lire challenge was highly innovative. An announcement was prepared aimed at: "soliciting and matching private donations for public projects promoted by nonprofit organizations active in the province of Lecco." The local foundation's goal was not simply to finance projects in the public interest, but also to nurture a culture of giving. Its declared objective is to increase donations to nonprofit organizations active in the province of Lecco. The Foundation wishes to draw in new donations from private citizens, rather than state revenues already earmarked for social purposes. To achieve this, it promotes development of new projects by local nonprofit organizations, and conducts an initial evaluation of these projects. The Foundation also guarantees all the tax exemptions available under tax legislation, that the donations are set aside in their entirety for the targeted beneficiaries and are used for the agreed purposes, and provides donors with recognition (or anonymity, as they wish), and matches the contributions made to these projects.

The launch, which received wide local media coverage in advance reaching all the potentially interested parties, provided the local foundation with an effective tool to pursue its second major goal of promoting the growth of the nonprofit sector by developing its ability to set up projects. Acquaintanceship with Board members is not needed to qualify for a Lecco Foundation grant. What is needed is a solid and intriguing project that both meets with Foundation approval and attracts the active involvement of the local community. This

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The Lecco Foundation *CONTINUED*

approach was especially important in establishing a good working relationship with the province's nonprofit organizations. They were able to experience firsthand that the Foundation is not in competition with them, but is rather an institution that increases the resources at their disposal. The approach is neatly summed up in the slogan:

"We don't give to the Foundation: we give through it."

The 200 million lire challenge enabled the Lecco Foundation to illustrate—with the first grants—the contribution such an institution can make to improving the quality of life in the community, as well as to establish a relationship of mutual esteem and trust with the nonprofit organizations active in Lecco. In less than three months, the Foundation was able to raise 500 million lire, exceeding the 200 million target—money used to fund 33 projects. It is important to note that the donations have come from every sector of the community: of the 224 donations, 36 percent came from individuals, 42 percent from businesses and 9.5 percent from service clubs (particularly Rotary and the Lions) and 12.5 percent from other sources (foundations, public administration, etc.).

Even the 10 billion lire challenge proved easier than expected. In less than two years, 12 endowment funds have been set up for a value of almost six billion lire, made up of targeted funds, funds for specific issues, and funds for specific nonprofit organizations. These funds have been set up by individuals and, in the case of the largest ones, by businesses and labor unions. The town of Premana, a small community of 2,000 in Valsassina, has even created a geographical fund.

The balance sheet of this first experimental foundation can only be described as positive. The ease with which such large funds were raised is clear evidence that Italian civil society is perhaps more mature and ready to take up its responsibilities than expected. Conventional wisdom had it that the absence of a Protestant tradition would explain Italy's backward social development. The idea is clearly proved wrong in "that branch of the lake of Como, which extends towards the south" which Manzoni made famous in *The Betrothed*¹. Our community is generous and approachable: what we have to do now is have the courage to show real trust in its abilities.

In addition to donations, the Lecco Foundation has prestigious offices on free loan from the provincial administration, as well as computer equipment and office furniture provided by two local companies. The General Secretary has managed the Foundation without any compensation but with the support of a large number of highly qualified volunteers. Thus the operational budget for the first two years has been under 50 million lire, including amortization and depreciation.

If the Cariplo Foundation had decided to establish a branch instead of promoting an independent structure, none of these resources would have been available. Furthermore, given that each grant costs Cariplo Foundation several million lire in administrative expenses, community foundation activities save Cariplo Foundation more than 100 million lire in this way alone.

In economic terms, the project represents a success for the Cariplo Foundation. The 20 billion and the 200 million lire earmarked for the Lecco Foundation will be spent on the original purpose of funding public projects, without administrative cost for the Cariplo Foundation. In all likelihood, the funds will be distributed on the basis of a better knowledge of the local community and will leverage other resources through the challenge grant mechanism. The only real expenditures for the Cariplo Foundation have been on the research conducted in the United States and the United Kingdom, the design stage, and the technical support provided to each community involved in the project. Paying the person who worked full time to design the project and hiring a part-time tax consultant cost less than 600 million lire over three years. This was a modest investment when compared against the advantages mentioned above.

The other benefits have been exceptional in terms of image enhancement (dozens of articles have been published in Lecco reporting on the initiative) and the project's reproduction in seven other localities (Como, Mantua, Novara, Bergamo, Sondrio, Monza and Cremona). At the end of 2001, these communities were joined by Verbania, Varese, Pavia, Lodi and Brescia and thus covered all Lombardy Region and the provinces of Novara and Verbania. The project has also attracted interest outside of Lombardy. The Venice Savings Bank Foundation promoted the establishment of a local community foundation in Portogruaro, in the eastern part of the city, and is already at work to bring this experience to other communities. The Perugia Savings Bank Foundation has also organized a research visit to the United States with the same goals for the Region of Umbria. The municipal administration of Florence has shown interest in the idea as well. And the experiment launched by the Cariplo Foundation has been the focus of international attention.

¹ "*The Betrothed* is probably the most famous work of Italian literature not by Dante or Petrarch", according to Penguin publishers. An historical novel, it was written in 1827 by Alessandro Manzoni.

IV

Key Tensions and Challenge

The Cariplo Foundation has learned a number of lessons from its experiences in creating community foundations:

- From a strategic viewpoint, the most important element of the entire project is a promoter willing to assume responsibility for the successful achievement of the objectives. Without such an enduring and sustainable commitment, especially in the first few months, the project risks getting bogged down or taking second place to other priorities.
- The promoter should also have good relationships with representatives of the major institutions within the territory the foundation serves. If there is no sense of trust, the community and the foundation will work at cross purposes and even commitments publicly made by persons of power and importance locally will come to nothing.
- It is a mistake to put implementation of the project into the hands of provincial governments. While it is indispensable to have a good working relationship with political institutions, it is also necessary to keep the foundation independent from interference by political parties. The foundation must in no way appear to be an operational tool in the hands of any government. It is crucial that these institutions come into being out of the direct involvement of civil society. The provincial government should be a supporting and effective player, not the prime mover, so that the principles of subsidiarity can be realized. The substantial amounts available from the Cariplo Foundation could easily engender a manipulative approach on the part of those more interested in accessing funds than in establishing a local community foundation. There is a real risk that any initiative might be the outcome of a decision made at the top rather than out of a grassroots commitment.

- It is important to be aware that the establishment of a community foundation could be hampered if the organizing committee became a “showcase” for prominent and representative figures. These individuals, because of their public role, could have little time to devote to an initiative that, because of its novelty, is not immediately understandable, and fail to take its development forward.

Local community foundations in Italy are exploring a new role—fundraising for the purpose of financing specific projects—a role not usually played by U.S. community foundations, but one that could be very effective in a country where tax exemption for endowments is practically non-existent. In the United States, this role is usually played by the Community Chest, often described as the checking account of the community (as opposed to the savings account). In Italy, local community foundations may have both these functions. Indeed, fundraising can take place even in the absence of specific announcements. For example, one person donated 100 million lire to support a telephone help-line in a Lecco municipality and an even greater amount for restoring an abbey. This approach could be of great interest to corporate donors who could use the local community foundation as a channel for their social investments, make them more effective and, at the same time, take better advantage of the tax exemption provided by current laws.

The results and opportunities of this project to stimulate community foundations are exciting and encouraging, but there are still many challenges for local foundations:

- Current laws are totally inadequate. Such institutions are not part of the cultural, legal or fiscal traditions, and using the ONLUS scheme to take advantage of the meager tax incentives has side effects. Some of the activities which attract tax advantages in other countries, such the arts and education, are not open to ONLUS bodies and foundations funding such projects could expose their Board to significant sanctions.



- Another tax problem relates to investments. Community foundation development may be hindered by 12.5 percent taxes on the returns on investments of their assets. This rate of taxation further reduces the already low returns on the investment of endowment funds. In Italy, the notion that the primary goal of a foundation is to maintain the value of its assets rather than pursuing its corporate objectives is still strong. Whereas in the United States, private foundations are obliged by law to disburse at least 5 percent of their endowment fund, in Italy the percentage is much lower. This means that, unlike U.S. foundations, Italian foundations are limited to safe bonds or State securities, thus locking up important assets that could have been used to pursue projects to benefit society. Donors are aware of this and one of their first questions is about the return on investment of their fund placed with the foundation. The not-so-brilliant results of these first years of activity may discourage future donors, especially once the incentive of the matching fund on the part of Cariplo disappears.
- The commitment by volunteers, although important, should not overshadow the fact that the foundation, as broker institution, must offer quality services to donors, requiring expertise rare in Italy at present. If foundations do not have the courage and the means to invest in their own internal structure, they may lose momentum and fail to achieve their full potential. Even the most enlightened administrators find it hard to understand that a local community foundation must be considered as a business concern that requires investments to flourish. Boards of directors, not trained to manage this type of organization, do not apply their resources to strategic development, but end up scattering their energies in activities related more to the management than to governance of the organizations. Meetings are often confusing and sometimes inconclusive. Often foundations depend too much on the initiative of their presidents, with Board members remaining passive.

It is essential to develop partnerships between the community foundations so as to take better advantage of synergies and economies of scale. Exchange between the foundations will also allow them to attract not just donations, but also the publicity that businesses could give this sector and, at the same time, promote their image and role outside Lombardy.

The technical support structure provided by the Cariplo Foundation has generally been too slender to offer adequate service to the new community foundations, although it has been possible to organize common meetings on fundraising issues and the development of computer systems to manage grants and donations. Cariplo Foundation has decided recently to create a permanent department within the Foundation that will support the community foundations it helped to establish.

In conclusion, the local community foundation represents an interesting vehicle by which a banking foundation may redefine its role and its identity in close association with civil society. Through this project, Cariplo Foundation has not only resolved some management and operational problems, but also demonstrated its ability to design its own activities in a proactive, innovative way.

Institute for the Development of Social Investment (IDIS)



This case study includes a focus on the delivery of a program by a new organization in a region where community foundations and community philanthropy are emerging.

I *The Whole Organization*

Background

The Institute for the Development of Social Investment (IDIS in Portuguese) was established in 1999, “to promote and organize private social investment as an instrument to develop a fair and sustainable society” in Brazil.

Mission and Objectives

The creation and mission of IDIS were based on recognition that managing intellectual assets is one of the most important tasks of both business and Third Sector organizations. Intellectual assets can easily be lost or under-exploited, resulting in loss of benefit to society. IDIS tracks *human capital*, *structural capital* and *knowledge capital*. For IDIS, a fourth type of capital also plays an important role: *customer capital*. This is the value of an organization’s relationship with the people with whom it does business. For IDIS these are the many grantmaking organizations—that is, individual, family, corporate and community—whose best practices provide lessons to be shared.

A significant portion of IDIS’ activities—approximately 40 percent—is dedicated to the developing and strengthening of community philanthropy in Brazil. This is achieved through IDIS’s DOAR program, whose main strategies include promoting the concept and practice of community philanthropy organizations; technical support for leadership development of promising individuals and organizations in selected communities; technical support for new and emerging community philanthropy organizations; and creating a forum where community philanthropy organizations can discuss common issues and goals. “Community philanthropy organizations” include community foundations.

Financial Resources

IDIS was created with a grant from the U.S.-based W.K. Kellogg Foundation for institution building (a total of US\$890,000 for four years). The basic strategy was to progressively reduce the funding from this source to 75 percent of the first annual contribution in the second year, to 50 percent in the third year, and to 25 percent in the final year.

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In the meantime, other sources of income have been identified and contribute to the overall income of IDIS. In 2000, the first year of full operation, IDIS had an income of US\$600,000. Projected income for 2001 is US\$800,000. The main source of income (approximately 55 percent) is gained through providing technical assistance to new family and corporate foundations. Knowledge dissemination through courses or workshops is responsible for 10 percent, and grants account for the remaining 35 percent. With respect to expenditures, 85 percent is spent on personnel and consultants, while 15 percent is spent on general expenditures such as rental, telephone, insurance, and so on.

Staffing

IDIS staff includes a President, a Vice President, a Secretary, an Administrative Manager, three Project Managers, two Program Coordinators, three trainees and three interns. There are also two volunteers working on specific tasks and several consultants who assist different projects. Professionals employed cover a variety of disciplines, including medicine, social science, political science, communications, architecture, business administration, and economics.

Governance

IDIS is not a membership organization. It is a private, nonprofit organization governed by a Board of Directors (eight members), the President and CEO. The eight members of the Board include: a leading businessman in a construction company; an NGO leader and banker; a business leader and philanthropist; a psychologist, philanthropist, and president of a foundation; a professor of medicine and active NGO leader; a lawyer specializing in human rights; a social scientist with UNESCO; a university dean and professor of business administration.

The main responsibilities of the Board include: strategic planning, approval of the annual budget, developing networks with the main players in society, and legally representing the organization.

II *The Environment*

Development of community philanthropy in Brazil needs to be understood in the context of three broad factors: approaches to development and the role of government; levels of poverty; and meanings of philanthropy. These are described below.

Approaches to development in Brazil have gone through various phases. In the first phase, lasting into the mid-1960s, government was seen as the principal engine of development. The main emphasis was on economic growth with direct government involvement in a broad range of public activities. The Brazilian military regimes took on the role of entrepreneurs for the overall needs of society. But, this model led to more government intervention, without the necessary resources.

In the second phase, analysts began to argue that economic growth needed to be accompanied by social equity. This meant greater attention to social development issues, and investment in health and education. Again, government was seen as the key actor.

The third phase followed the first oil crisis in 1973. Faced with growing external debt, delivery of public services was controlled and Government lost its primary role in this area. A new set of organizations, especially in civil society, was developed to cope with the range of activities previously managed by public institutions. This was the basis for the future decentralization of services from federal to local government.

Economic and Political

The economic crisis in the late 1980s encouraged recognition of the unique role that each community should play in its own development. But because of the history of authoritarian government, local efforts were weak. It was recognized that local initiatives could not flourish without support. Thus the fourth phase involves the creation of new support structures for local development outside government.

Key actors in this phase are intermediary, usually NGO-type organizations, that provide financial resources or technical assistance, and other forms of support, to local activities. Some also attempt to build leadership and management capacity at the community level and may be seen as potential Community Philanthropy Organizations.

Despite the important changes that have taken place in Brazil's recent democratic history, poverty and unequal distribution of wealth remain crucial issues. Poverty includes lack of access to a wide range of resources from the cultural, social, and environmental, to economic. In Brazil there is a sharp contrast between a small number of wealthy people and a great majority of poor.

Attitudes to "Philanthropy"

In Brazil the term "philanthropy" is associated with benevolence and religious charity coming from the top down with the main purpose being the self-satisfaction of those who give or volunteer. It does not aim for social change but instead, through paternalism, reduces the self-determination and self-reliance of individuals. "Philanthropy" in Brazil is normally associated with maintaining the status quo.

These meanings give "philanthropy" a negative image in Latin American societies. If giving is a practice of the wealthy to maintain social order and the status quo, why would you give if you are unhappy with the current social situation? If volunteering is associated with the image of old ladies attending afternoon teas or playing bridge, why give your time? These images undermine the value of giving and volunteering, and create a view that philanthropy actually reinforces inequality and social

differences. Within these traditions, it is a challenge to convince people that philanthropy and volunteerism can contribute to Brazilian social development.

But at the same time, Brazil has a long history of giving and volunteering that dates from colonization by Portugal. Since then hundreds of thousands of voluntary initiatives, motivated by altruism and solidarity, have contributed to an extensive network of organizations and people who have helped their communities. From the efforts of religious missionaries during colonial times to the most recent history of political and social militancy of the 1960s and 70s, the range of initiatives surprises every observer.

Due to the negative image of philanthropy in Brazilian society, concepts such as "social responsibility" and "social investment" are increasingly being used to describe the activities of private individuals and institutions that act for public good. The idea that all citizens should contribute to the public good is very different from the traditional view that public good is the government's responsibility alone. Using concepts such as social *investment* emphasizes the need to look beyond "band-aid" short-term charity to longer term, sustainable social effects.

From Philanthropy to Social Investment

Discussions about how to empower people in the Brazilian context need to involve at least four main actors: the state, and the government in power; the private sector/business; and the Third Sector, represented by a growing number of non-governmental organizations (NGOs), private voluntary and civil society organizations; and citizens.

There is now a need for people's organizations, harnessing energy expressed by "ordinary" people, moving from selfish interests into wider civil society. A key challenge for professionals is to redirect their efforts to help build such people's organizations, or assist those that are already in existence. This means that philanthropic organizations in Brazil need to take a different approach.



TABLE 1. Brazilian Philanthropic Organizations: *Appropriate Intervention Strategies*

Intervention Criterion	Encourage	Discourage
Policy Formation	Vision-led	Funding-led
Attitude Towards Problems	Build on assets	Correct deficits
In the Lead	Local people	External institutions
Point of Intervention	Intervention at the point where local actors are present and active	Top down
Place	Local to global	Global to local
Allies	Broad support	Narrow support
Solutions Required	Workable and obtainable	Effort on unchangeable
Relations with Other Bodies	Sharing and cooperation	Insulated and competitive
Volunteers	Parity with staff	Ancillary
Hierarchy	Flat or shallow	Steep or multi-graded
Professionals	Give technical assistance	Dictate solutions

For philanthropists and philanthropic organizations, adopting these strategies means moving from traditional charity to a social investment approach. But there are significant challenges in developing social investment.

Challenges in Developing Social Investment

Lack of Professional Management

There is a lack of professionals to occupy top positions in the organizations that intend to do social investment. Until recently, there has not been a professional approach to managing most of these organizations.

Encouraging Corporate Philanthropy

The pressures for companies to become involved corporate citizens, and to demonstrate their commitment to employees and communities while they grow their business, are recognized by several business leaders in Brazil. The new approaches some companies are taking to evaluate and improve their community involvement programs demonstrate how these programs can also add value to business. Research conducted by ARCO-Brazilian Research and Advising Institute—among 58 Brazilian business people and

foundations concluded, “grantmaking is still non-scientific in most foundation-like organizations, they usually deal with difficult decisionmaking processes lacking the necessary information to define effective interventions.” A 1993 survey among 300 U.S. and European business people involved with operations in Latin America revealed that 56 percent of the Americans and 40 percent of the Europeans thought that the lack of local know-how was an obstacle to international community involvement. Thus, there is a clear need for information and professionals to implement corporate social programs effectively in Brazil.

Legal and Tax Frameworks

Legal and tax frameworks do not appear to present any particular obstacles to development of community philanthropy in Brazil. The Brazilian Civil Code provides two main civil law forms of not-for-profit private legal entities: the association and the foundation.

To become an incorporated association, with a legal identity, the articles of association or by-laws must be registered in the Civil Notary Public Office for Legal Entities. The articles specify the rules, rights and duties of the organization, its members and its associates.

Foundations are created through a testament/will or public writ which must include information about the grantor(s); the grantors’ manifested intentions to create the foundation; the aim of the foundation; the grantor’s disposition of his/hers personal goods or real estate property with no liens. The foundation only acquires legal status after its by-laws are registered in the Civil Notary Public Office for Legal Entities.

Most of the not-for-profit organizations with public aims registered in Brazil are entitled to enjoy tax and other legal benefits. For instance, Article 150 (VI)(c) of the Brazilian Constitution states that the Union, States, Federal District and cities are not allowed to *tax educational and social assistance* not-for-profit private legal entities. To obtain the tax immunity benefit, the entity shall (i) not distribute its assets or profits among its members; (ii) shall keep accounting books in order to promote transparency of its activities and accounts; and (iii) shall limit the use of its resources to the Brazilian territory and to maintaining and developing its aims. Tax immunity covers an organization’s assets, income, services taxes and social contributions related to the essential activities of the entity.

Private not-for-profit legal entities with public aims may also qualify for different special designations:

- Public Interest Civil Society Organizations (OSCIPs) – Law 9790/99,
- Social Assistance Register – Law 8742/93,
- Philanthropy Certificate (CEBAS) – Law 8742/93, and
- Public Utility Status – Law 91/35.

Organizations with special designations are entitled to several tax and legal benefits from the different agencies of the federal, state and municipal government.

III *Supporting the Development of Community Philanthropy and Social Investment—The Delivery of a Program*

Background

In Brazil, there are few intermediary organizations, and scattered efforts of individual consultants or emerging study centers on philanthropy are not sufficient to meet current needs. IDIS sees building the capacity of intermediary organizations that can support the activities required as a result of the above diagnosis of problems as essential in building the sector.

Two organizations were created in the mid-1990s. The first, GIFE (the Group of Institutes, Foundations and private Enterprises)—which informally began in 1989 bringing together grantmaking organizations to exchange experiences—formally became an important networking institution in 1995. In 2001, GIFE had 59 member organizations, which together invested just under US\$300 million in 2000. GIFE's membership is representative of the Third Sector's grantmaking organizations and effectively works to disseminate the concept and practices of private grantmaking, encouraging others to do so in a more professional manner. The Ethos Institute for Social Responsibility, created in 1998, had over 374 member enterprises in 2001. Ethos was created in the style of the U.S.-based Business for Social Responsibility, and has as its aim the practice of responsible business on behalf of

private enterprises. Significant lobbying by both organizations has been aimed at social development and building a healthier and more sustainable environment.

As of 2001, there were no community foundations in the U.S. definition, i.e., with an endowment fund. A planning effort is currently underway in Rio de Janeiro to establish a community foundation-like organization called Instituto Rio. The project is receiving technical assistance from The Synergos Institute in cooperation with two Brazilian organizations, Roda Viva and the Institute for Cultural Action (IDAC). The aim of the new foundation is to provide more sustainable financing for nonprofit organizations in Rio that serve disadvantaged groups, in particular poor women and children.

For IDIS, the development of social investment in Brazil is focused on three activity areas: corporate social investment, education, and community philanthropy. The first two program areas are clearly distinguishable, with their own aims, but are still closely related to the development of community philanthropy.

Corporate Social Investment

Corporate social investment is the voluntary donation by corporations of financial, human, technical, managerial or in-kind resources for the public good.

Through consulting, IDIS supports the social investments of new corporations seeking to organize or reorganize their capital to improve their performance and attain greater social impact. The objective is to provide technical support that will add to the quality of corporate social investment practices.

One of the values that underlies this consultation is that of *empowerment*. IDIS uses support mechanisms and technologies that assist in transferring knowledge so that, at the end of the consulting project, the client organization is able to invest socially and develop its own programs independently.

The second strategy under this heading is to act as an incubator of social investment organizations. The objective of the incubator is to create new grantmaking organizations over a specific period. IDIS assumes the technical responsibility for the *modus operandi* of the organization, training of human resources, development of program priorities



and monitoring of projects supported, establishing both the institutional relation with the donors and with the grantseeking organizations. This is done for a previously agreed time frame, while the new organization is being established.

The Education Unit

With the growth of private social investment, both donor and receiving organizations have noted the need for improved quality training and learning opportunities for the development of their human resources. However, these organizations have identified the following obstacles: lack of qualified professionals available on the market, a limited number of training programs, and insufficient tools and methodologies adequate for nonprofit needs.

At the same time, with the growing visibility of the sector, the number of persons attracted to this labor market is increasing. This demand comes both from recent graduates and from professionals with experience in the public and private sectors, who want to contribute to this new sector.

IDIS has therefore created an Education Unit, with the principal objective of supporting the process of development and human resource professional qualification covering all dimensions of private social investment. The main strategies here are capacity-building for human resources, development of specific manuals, and educational programs.

IDIS runs the Administration of Civil Society Organizations in partnership with the Universidade de São Paulo (USP). This 90-hour course aims to inform and expand the knowledge base of professionals who have an interest in the Third Sector, or who are starting their career in this area.

IDIS develops manuals with the objective of disseminating information about experience with private social investment and providing educational programs with different formats oriented to a range of publics: university extension programs, seminars, presentations and workshops with both short and long duration, intensive or modular, in-house or at-distance. The objective of these activities is to contribute to the education of the sector, using new teaching technologies.

In all of the activities above, IDIS promotes and disseminates the idea of community philanthropy to a wider public, presenting cases and showing efforts in different countries. However, the third strand in IDIS' work focuses more

specifically on fostering the development of the concept and practice of community philanthropy organizations, including community foundations, through a set of coordinated activities: the DOAR program.

The DOAR Program

The DOAR Program: Supporting the Development of Community Philanthropy and Social Investment was established in 2000. Its activities represent approximately 40 percent of IDIS' overall activities. IDIS' 2001 budget was approximately US\$150,000 to operate the DOAR Program. During the first year, IDIS implemented DOAR with a grant from W.K. Kellogg Foundation to set up the organization, and a grant from the Charles Stewart Mott Foundation for staff development. IDIS also received support from the Canadian International Development Agency and from WINGS-CF to attend the Community Foundations of Canada national conference in Ottawa in 2000.

DOAR is resourced by three full-time staff members (one economist, one business administrator and one social scientist) and two part-time staff members, as well as four external consultants.

The four key strategies of the DOAR program are:

- Promotion of the concept and practice of community philanthropy organizations grounded in Brazilian culture and realities;
- Technical support for leadership development of a cadre of individuals and organizations from selected communities that promise to become influential in the overall development of the sector in the coming years;
- Major effort to give technical support to implement local projects for creating or strengthening community philanthropy organizations, including the training and upgrading of staff members and volunteers—better preparing them to meet the needs of such organizations in a more professional manner;
- Major effort to create a Community Philanthropy Organizations Permanent Forum, where key issues and directions can be addressed by such organizations and their representatives as partners in social development in Brazil.

The empowerment of selected communities is the most important element of a strategy to increase the capacity and effectiveness of existing organizations, and to facilitate the creation of new ones. Drawing on and emulating

positive examples of existing organizations and practices plays a crucial part in strengthening the community philanthropy movement in Brazil.

DOAR's goals are:

- To create and/or strengthen community philanthropy in selected communities in a five-year period, through existing CPOs or through the establishment of new ones;
- To increase the capacity of emerging community leaders in the sector;
- To increase awareness, knowledge and understanding of Brazilian community philanthropy, and the role of philanthropic organizations;
- To promote and advocate on behalf of the community philanthropy movement to key target audiences in Brazil, especially among community and business leaders; and
- To build a strong and sustainable Brazilian network of community philanthropy organizations, founders and other interested groups.

The DOAR program was publicized through existing networks and identified community leaders. Cities to participate in the program were selected according to a set of criteria that took into account the current level of philanthropic efforts carried out in the cities; existing/emerging leaders that might lead the process of mobilizing the main players in the communities; and a significant number of existing civil society organizations and representatives from the business community. They were selected by IDIS' staff and consultants from different organizations that work in community development.

In each city, IDIS identified a prominent personality in the community who helped select and contact other potential leaders. From the beginning, it was agreed that the program should involve participants representing all the sectors: private, government and civil society. Each participant community in the program then goes through a preparatory and an implementation phase.

The *preparatory phase* lasts a year. During this phase, community leaders from participant communities are identified and selected to take part in leadership training. Leadership training consists of two steps. The first step introduces the concept of Servant Leadership, indicating the main differences concerning the frequent styles of leadership and explaining the reasons why this is the most adequate style to be followed when working with social development. The second step is designed to help leaders become aware of some relevant skills and the related knowledge and attitudes required for personal, organizational and community development. Indications of how to develop those capabilities are also provided. The structure of the seminars and the set of manuals that support the program were developed by IDIS' staff.

Also during this phase, participating community leaders design and develop a community plan to foster local philanthropy and private social investment.

The community plan is intended to address the following issues: community analysis, mission of the CPO (Community Philanthropy Organization), objectives, activities and timetable, budget for the next two years, key indicators, and risk analysis. The community leaders develop the plan using the knowledge they have gained from three seminars and five manuals. After each seminar they also undertake tasks at the community level. For example, one of the efforts involves ongoing mobilizing activities. It is their responsibility to prepare the final document to be delivered to IDIS for evaluation.

The *implementation phase* takes two years. During this phase the following activities take place:

- Technical assistance to the selected communities to implement their own proposals;
- Field visits for supporting and facilitating local processes initiated by the community philanthropy organizations;
- Networking opportunities among participants to share lessons learned and also to address selected topics of common interest. Such opportunities can be workshops, seminars, conferences, or travel tours for learning opportunities.



The DOAR Program is working with nine cities in the state of São Paulo. As shown in the table below, estimated potential giving in these cities ranges from US\$3.9 million to \$79.2 million. The pool of communities represents an interesting cross-section of the State of São Paulo, the wealthiest state in the country.

The communities are working on their strategic planning based on a community assets diagnosis which they have already carried out. They are also strengthening their leadership to make better use of the available resources, and learn how to identify and attract new ones.

The program was completing its first year at the time this case study was prepared. During this first year, technical materials were developed, and a set of manuals was shared with participating communities. A new cluster of communities in other Brazilian states beyond São Paulo will have been selected in the second half of 2001, and in 2002, IDIS begins working with ten large metropolitan centers throughout Brazil.

To date, IDIS has conducted a number of seminars, meetings, and conferences, including two seminars involving at least 40 leaders from all the cities and a third one carried out in each of the nine cities, involving approximately 25 community leaders in each. IDIS has also organized an international conference in Sao Paulo with three international and five Brazilian speakers, attended by over 200 people. The objective of the conference was to promote the concept of Social Investment. In total, around 900 people have been involved in the DOAR Program in some manner.

TABLE 2: Population and Potential Contributions of Cities Where IDIS is Working.

Cities	Population	Projected Social Investment (in US dollars)
Botucatu	107,000	7,704,000
Diadema	370,000	26,640,000
Guarulhos	1,100,000	79,200,000
Limeira	250,000	18,000,000
Marília	800,000	57,600,000
Penápolis	55,000	3,960,000
Santa Bárbara d'Oeste	121,531	8,750,232
Santo André	650,000	46,800,000
São José dos Campos	520,000	37,440,000
TOTAL	3,973,531	286,094,000

Note: The potential contributions by individuals were calculated using a figure of US\$72 (R\$158) per year, per individual as the average for Brazil. This research, carried out by Leilah Landim in partnership with Johns Hopkins University, surveyed 1,200 individuals in cities throughout Brazil with a population greater than 10,000.

At the end of the five-year period, the DOAR Program expects to involve at least 30 cities and the goal is that at least 15 of those will have a community philanthropy organization which will continue on after the end of the Program. IDIS expects that all the cities involved will play a role in disseminating concepts and ideas related to more effective and efficient social investment.

IV *Key Tensions and Challenges*

The main risks, challenges and opportunities (over three years) of running the DOAR Program, identified in the IDIS business plan, are summarized below. Risks included:

- Private foundations and enterprises in Brazil might perceive the community philanthropy model as inadequate and inappropriate for local development.
- International grantmaking organizations currently funding the promotion of community philanthropy might shift their funding priorities, reducing funding opportunities.
- Other initiatives might “compete” with IDIS to lead this theme.
- Funding management may lay more focus on short rather than long term planning.
- Leaders in each community to conduct DOAR’s initial activities might be wrongly selected, leading to “negative leadership.”
- There might be a financial crisis in Brazil.

The only risk to materialize as yet has been a financial crisis in Brazil. Recent electricity shortages, along with the economic crisis in Argentina, has led to reduced projections for economic growth, currency devaluations, and reductions in some companies’ donations for philanthropic activities.

Set against these risks were a range of opportunities to:

- Stimulate Brazilian legislation to increase local fundraising through community philanthropy models;
- Stimulate the dissemination of the concept of philanthropy and community social investment among national grantmaking organizations, local government and private enterprise;
- Create adequate infrastructure (course material, newsletters, conferences);
- Create an endowment fund at IDIS to direct the revenue for continuous support;
- Stimulate local community philanthropy organizations to create their own endowment funds;
- Guarantee quality training to IDIS staff members and DOAR Program participants;
- Create new areas for IDIS to develop in accordance with its mission statement;
- Train local community philanthropy support organizations to raise funds from local, national and international sources;
- Stimulate the government to fund and partner with local community philanthropy support organizations;
- Stimulate community philanthropy support organizations to create endowment funds; and
- Create a leadership development model with emphasis on community needs.

A number of these opportunities have come to fruition. For example, legislation has been approved which will allow greater tax benefits for philanthropic activities. Another example, is the growing interest in the program; a recent IDIS conference on the development of community philanthropy gained national media coverage and resulted in 39 cities expressing interest in the program, as well as discussions with five potential national donors who may fund cities throughout Brazil.

The opportunities and the very success of the program have created their own challenges. The program has been a key opportunity for staff development, while also creating a new set of directions for Brazilian social investors. IDIS has been a pioneer organization in this activity in Brazil and has found that the general public is becoming progressively interested in the program and in the overall strategy that has been pursued. An increasing number of communities are requesting IDIS' assistance. Because IDIS is operating the program through donors, and free of charge to communities, a major challenge has been to accommodate the large number of requests and to ensure the sustainability of the program within IDIS.

Other challenges have been maintaining the DOAR timetable, given that the program demands an extra effort from the communities and their leaders and players, creating difficulties in balancing personal and professional agendas. In addition, the program has had to find the right balance between the local community development process in strengthening local philanthropy and the model proposed by IDIS.

The main priority in 2002 will be moving to the second implementation phase of DOAR, when IDIS will support the development of the community philanthropy organizations that participated in the first round of the program.

The process with the next group of cities may be somewhat different, with companies sponsoring specific cities in which they have significant presence. IDIS is already negotiating with some companies committed to working with the communities where they are located. These companies will be important partners in tackling social issues and promoting social development at a local level.

Marcos Kisil sums up the demands and the success of DOAR: "IDIS is investing at least one third of its staff time and funding in the DOAR Program in order to fulfill the mission of IDIS to support the efficient and effective use of community resources available to philanthropic purposes. We consider this a significant step in creating a more sustainable and just social reality in Brazil."



Southern African Grantmakers' Association (SAGA)



This case study includes a focus on the development of the first ten community foundation initiatives in South Africa.

I *The Whole Organization*

Background

The Southern African Grantmakers' Association is an independent, voluntary and non-profit association of organizations and individuals involved in funding development in Southern Africa. It was officially launched in April 1995 and incorporated under Section 21 of the Companies Act, after over two and half years of intensive consultative process and discussion among some of the major local corporate foundations, international private foundations and non-governmental organizations operating in South Africa.

Mission and Objectives

In a country of severe social and economic inequities, characterized by mass poverty and pockets of massive wealth, SAGA's mission is to optimize the relevance, efficiency and impact of grantmakers.

SAGA:

- Promotes ethical practices in grantmaking;
- Conducts research and provides information relevant to grantmaking;
- Creates networks and opportunities for constructive partnerships between grantmakers, government agencies and non-governmental development organizations;
- Convenes fora for discussion on specific issues relating to development in general and grantmaking in particular, and enables mutual learning between grantmakers;
- Promotes increased and new forms of philanthropy;
- Establishes common ground from which members and grantmakers in general may speak to government, business and the voluntary sectors and acts as an advocate for their common interest; and
- Improves public understanding of what grantmakers can and cannot do.

RESEARCHED AND WRITTEN BY:

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WINGS-CF, June 2001

Financial Resources

On March 31, 2001, SAGA received income from grants of R525 816 (US\$75,116), plus R274 855 (US\$39,265) in other income/sales. Its expenditure was R3 164 588 (US\$452,084). Extensions on previous years' unexpended grant funding made up for the shortfall in funding.

Staffing

In mid-2001, SAGA had five staff members with two vacancies soon to be filled. The current staff are Executive Director; Programme Manager–Community Foundations; Administration & Finance Manager; Membership Co-ordinator; Receptionist & Administrative Assistant. The two posts to be filled are Personal Assistant to the Director and Communications Officer.

Governance

The Annual General Assembly of members is the ultimate policymaking body of the Association. The Assembly elects a governing body (Board) that serves for a period of two years. Members of the Board are drawn from different membership categories and provinces and an effort has been made to have a representative Board in terms of gender and race. From the beginning, SAGA's Board has been its most valuable asset. The current members of the Board are from: South African Sugar Association (Chairperson); Community Development Foundation of Mozambique; Desmond Tutu Education Trust; Charles Stewart Mott Foundation; ABSA Foundation; Community Chest; McCarthy Holdings; and a Development Consultant.

Membership

SAGA has about 80 fee paying members, including private Southern African grantmaking organizations (corporations, foundations and trusts); private foreign grantmaking organizations; community development foundations; individuals involved in grantmaking; and local and international statutory bodies engaged in grantmaking.

South Africa is often described as a mixture of first and third world economies. The Gross National Product per capita in 1995 was US\$3,100, making South Africa a middle-income country in World Bank terms. But if the average annual income of less than R800 (US\$175) for black South Africans in rural areas is used as a measure, the country would be categorized among the poorest of low-income countries.

As a consequence of apartheid, South Africa has one of the most unequal distributions of income in the world. The average monthly income of white households was around R3,300 (US\$720) in 1990. During the same period, a typical black household (with ten people) was earning only 15 percent of this amount. Furthermore, inequality appears to be increasing and significant disparities of income are opening up among black South Africans. In general, the poorest South Africans continue to be black, particularly women and those in rural areas.



II

The Environment

Economic and Political

Past spending on health, education, pensions, housing, infrastructure and other social services was highly discriminatory. The present government, non-profit organizations, and the private sector thus face the enormous task of providing basic services for all South Africans.

The Government of National Unity (inaugurated in 1994) has emphasized the need for a system of checks and balances and a culture of openness. This emphasis has emerged partly from decades of close links between a vibrant nonprofit sector and supportive international agencies, which in no small measure helped South Africans to counter past regimes' repressive policies.

The perception that only a strong state can "deliver" what people need is matched by the perception by some members of the public that nonprofit organizations cannot make an impact on basic-needs delivery or welfare and other development programs. These attitudes not only inhibit local initiative but also contribute to reluctance by the public to contribute funds to nonprofit development programs.

Legal and Tax Frameworks

Under current South African legislation, a nonprofit organization can set itself up as a trust, a voluntary association, or a Section 21 company. Each option has advantages and disadvantages. Trusts are governed exclusively by the provision of the trust deed, and there is limited state regulation. The fact that trusts are not publicly accountable may mean that donors prefer to make donations to a company rather than a trust. By contrast, the incorporation, regulation, and dissolution of a company is governed in minute detail by the comprehensive provisions of the Companies Act.

A Section 1 company is a special form of company that is incorporated as an association not for gain, whereas a Section 21 company may make a profit but cannot distribute its income and assets in any manner whatsoever to its members. The disadvantage of a Section 21 company is that the complex requirements and high setting-up costs make it an inappropriate legal form for many small grassroots nonprofit organizations. In addition, many nonprofit

organizations may need more freedom to choose how to structure themselves and run their organizations.

A nonprofit organization that wishes to establish itself without any state regulation can become a voluntary association. A voluntary association is governed by common law and is created by agreement between three or more people. It need not have a written constitution. As long as certain legal requirements are complied with—including the requirement that there is no profit motive—the constitution can make provision for any arrangement the nonprofit organization chooses. The disadvantage of voluntary association status is that donors may require a legal form that imposes greater control, particularly when large amounts of money are at stake.

Despite the range of legal forms above, there is no legal provision specifically for community foundations. At present, incorporating community foundations under the Trust Properties Act, building in a requirement for public accountability, serves the purpose.

Tax exemption applies only if a nonprofit organization can show that it is of an "ecclesiastic, charitable or educational" nature and is of a "public character." It has proved extremely difficult to bring a range of development institutions under this ambit. For example, the Department of Revenue considers educational institutions to be only those that promote a definite course of study. It takes a similarly narrow view of charitable organizations, considering "soup kitchens" and "orphanages" to be charitable in purpose, but not organizations concerned with uprooting poverty through helping communities to help themselves. This means that most nonprofit development organizations cannot obtain exemption. Some nonprofit organizations experience further difficulty because they are classified as "funds" rather than "institutions" and so fall under a more restrictive section of the tax acts.

Funders in South Africa, both local and foreign, feel strongly that the existing law is affecting the level of giving. Many donors do not fund organizations that do not have tax-exempt status. However, there are promises of legislative change.

Attitudes to "Philanthropy" and "Foundations"

Until recently, there has been a general perception that the bulk of funding to nonprofit organizations in South Africa comes from individual sources. Many of these organizations

could raise money effectively from individuals precisely because they appealed to the white community where the bulk of their services were rendered. More recently, there are signs of change. For example, the Department of Welfare has estimated that up to 70 percent of (welfare) nonprofit organization funding comes from government. More generally, contributions to philanthropic causes are estimated as 78 percent from individuals, 15 percent from corporations, and 7 percent from private foundations and trusts (Southern African Institute of Fundraising).

Tradition of Voluntary Organizations

South Africa has a wide range of voluntary organizations, some involving substantial numbers of volunteers. It is difficult to determine accurately the number of nonprofit organizations in South Africa, because there is no current mechanism for collecting data on the sector. In 1994, the Development Resources Centre and the South African Institute of Fundraising estimated that there were approximately 54,000 nonprofit organizations active in the country. Although this figure is still widely quoted, other estimates ranging from 45,000 to 80,000 organizations are also current.

Numbers of foundations are also hard to come by, but SAGA publishes a donor directory with 413 entrants. These include international and local private foundations, corporate, statutory grantmaking organizations, and smaller family trusts.

III Developing Community Foundations

Background

In light of the above, SAGA assessed the environment as potentially supportive of community foundations. There is a considerable level of giving and caring for one another, demonstrated by the number of nonprofits in the country that serve disadvantaged communities. There is individual wealth: 1 percent of the market capitalization of Johannesburg Stock Exchange is about R10 billion, 50 percent of wealth on the stock exchange is owned by individuals over age 55.

There are easily identifiable communities located in geographically demarcated areas. Communities are still

segregated along racial lines, although there is movement towards integration. South African communities are also politically divided. Realization that the future does not lie in politics and political power is beginning to surface, and the apolitical nature of the community foundation concept brings hope that communities can work on their own regeneration.

SAGA saw community foundations as having special importance in South Africa for these reasons:

Building bridges in economically and geographically divided communities will require engaging visionary leaders from all facets of community life. A community foundation can bring these leaders together to establish effective communication channels, identify shared values and expectations, craft ways of working together, and build trust across racial, political and economic divisions.

Meeting massive development needs will require concerted action at both the national and local levels and involvement of government, business and nonprofit development organizations. A community foundation can help focus attention on local development needs, leverage new resources, and encourage new alliances among key community actors. In addition, a community foundation can be a mechanism to consult with, and involve, poor and marginalized citizens in addressing local needs.

Assisting with growing demands on local government, as responsibility for the delivery of services has shifted from central government to the provincial and local levels. A community foundation can assist local government by helping identify emerging and changing needs in the community and by testing innovative and cost-effective ways to deliver services.

Sustaining the nonprofit sector in the face of a financial crisis as traditional sources of funding, primarily from international donors, have declined or shifted to other priorities; a less than favorable legal and tax environment, which limits the ability of nonprofits to raise funds from the public; and loss of skilled staff to the public and private sectors. A community foundation can help strengthen the financial and human capacity of local nonprofits, and assist them in sustaining current programs and developing new ones.



Building on existing practices of giving and volunteering.

A community foundation can recognize, nurture and encourage these existing practices and help stimulate the development of new forms of giving—of time, money and skills to address local problems.

Assuming community leadership. As a locally owned, controlled and financed entity, a community foundation can nurture local leadership and promote self-reliance, provide a forum for a variety of stakeholders to come to the table and discuss issues and options, and develop cross-sector partnerships among citizens, community groups, businesses, government, the media and other local players.

Serving as a conduit of knowledgeable and equitable funding to communities for individual donors, corporate and small to medium sized businesses, including government agencies.

Community foundation specific activities were created within SAGA to:

- Raise community, business and government awareness of the community foundation concept;
- Build the capacity of and train members of the Boards of Trustees to operate community foundations;
- Lobby government to create an appropriate legal environment for community foundations; and
- Position community foundations as conduits of funding and custodians of community funds.

Resources, Aims, Activities and Achievements

SAGA has a budget of R1 200 000 for work with community foundations. This comes from three major U.S. foundations (W. K. Kellogg Foundation, The Ford Foundation, Charles Stewart Mott Foundation) and one South African foundation (Carl and Emily Fuchs Foundation). Community foundation activities are staffed by a Programme Manager, with additional support from a staff member who handles logistics such as travel for workshop participants.

Activities undertaken to date include:

- A study tour of U.S. community foundations for eight community foundation pilots' steering committee members, one member of the reference group, and two SAGA staff members.

- A presentation to the Parliamentary Portfolio Committee on Reconstruction and Development Programme in 1998.
- An international annual conference in 1999 focusing on community foundations.
- Basic data surveys for three community foundations.
- Situation analysis survey for one community foundation.
- Strategic planning workshops for five community foundations.
- Workshops on financial management, fundraising, grantmaking, endowment building, and community involvement.
- Baseline-assessment studies of all community foundations.
- Visits to four South African community foundations by an experienced U.S.-based community foundation consultant in 1999 and 2000.
- A visit and report on the program by a community foundation expert, working on an assignment for the World Bank.
- Reports/write ups on four community foundations by the media; SAGA articles in newspapers and other publications—also reflecting on the community foundation concept; two regional/community radio interviews; one television interview, plus news coverage of two launches.
- A community foundation program brochure.
- Publication of the community foundation 1999 Conference Report.
- Regular articles in SAGA's quarterly newsletter, with one full edition devoted to community foundations development.
- Two meetings and a donor forum with National Development Agency (NDA) representatives—NDA is a government development grantmaking organization.
- International community foundation network participation and relationships (e.g., WINGS-CF, Council on Foundations, etc.).
- The Africa Learning Group on Community Philanthropy.

After three years, the community foundation pilot program has achieved the following:

- Ten community foundation initiatives are in varying stages and states of development and progress; of these:
- Three have been legally incorporated (Uthungulu, Greater Rustenburg, and Greater Stutterheim);
- Two have been publicly launched (Uthungulu and Greater Rustenburg);
- Two have active, representative steering groups and a Board of Trustees (Goldfields and Greater Stutterheim) and planned to launch in 2001;
- Four are progressing slowly due largely to the absence of incubating organizations and other dynamics (Far North, Greater Pretoria Metro, Greater Middleburg, Umtata-Port St. John); and
- Two of the ten are relatively new (Umtata-Port St. John and Matshekgale-lesotho)

The Ten Community Foundation Initiatives

1. *The Uthungulu Community Foundation (Richards Bay)*
The Uthungulu Community Foundation initiative was one of the first to begin, in October 1997 when SAGA and Ford approached the Zululand Chamber of Business Foundation (ZCBF). In many respects, it is the most developed community foundation. Key achievements include:
 - A representative and active Board of Trustees of ten elected in 1999;
 - Three functioning subcommittees;
 - A high profile public launch in mid-1999;
 - The Zulu king as patron;
 - Assets of R5.5 million (from Ford and Billiton);
 - A full-time paid coordinator as of early 1999 to early 2000, and a full-time secretary;

- A full-time manager as of November 2000;
- A strategic planning workshop in 1999;
- A constitution, and registration as a voluntary association;
- Administration and management guidelines document;
- Asset and endowment management plan and advisor;
- A grantmaking policy and procedures document;
- A public forum of 18 members, including four representative who liaise with councils of chiefs in the four Uthungulu sub-regions;
- A vehicle, office, and equipment;
- An annual operating budget and the means to fund this;
- Development of an asset management and investment policy and model; and
- A striking, colorful logo/letterhead and quarterly newsletter.

The community foundation is substantially supported by ZCBF in use of ZCBF offices and facilities; management of community foundation finances, including the Ford grant; three key ZCBF Board members, including the CEO, on the community foundation Board; and contribution of a vehicle and computer.

Development of Uthungulu Community Foundation highlights a number of lessons, including:

- The importance of significant local financial backing;
- The dangers of a premature public launch;
- The value of a strong incubating organization and pioneer, but danger of control and over-dependence;
- The need to understand and consciously manage the changing relationship between a community foundation and its incubator/pioneer;
- The potential for dependence on an incubator limiting independence of the community foundation;



- The danger of grants to incubators on behalf of community foundations;
- The need for complete transparency between the incubator and community foundation Board regarding the foundation's affairs and finances;
- The need for commitment, money and organizational skills to make a community foundation effective;
- The fact that there is a limit to what Board members can and will do; professional support from incubator staff is necessary until a community foundation has its own staff;
- The need to involve community foundations fully in commissioning, designing and possibly even doing basic data surveys and situational/needs analysis (if these are considered necessary);
- The need for ongoing Board development and regular (at least annual) review and planning workshops that deal with strategic, organizational, policy and team issues; and
- The danger of complacency regarding gaining individual and other than big business support, involvement and contributions.

Uthungulu Community Foundation continues to face a number of challenges, including:

- Power relations between stakeholder groups on the Board, and whether it becomes donor and business or ZCBF or community driven, or a healthy, balanced and co-driven partnership. The need to deal consciously with relationship and team issues and tensions in order to mediate differences and build a strong united Board;
- Strengthening its identity and visibility independent of the ZCBF;
- Development of an appropriate relationship to ZCBF;
- Consensus regarding the above and the appropriate pace towards greater independence;
- Development of an appropriate relationship with SAGA;
- Policy regarding its role in development facilitation and development practice;

- Grantmaking policy regarding focus areas, and pro-active versus responsive grantmaking;
- Policy regarding conflict of interests, e.g., where Board members are involved in organizations or projects seeking grants;
- Coverage of a huge, very poor rural area;
- Effective communication (liaison via the public forum, and use of the community foundation's patron, mailing of newsletter); and
- Ongoing local and external resource mobilization.

2. *The Greater Rustenburg Community Foundation*

Rustenburg is a medium-sized town surrounded by rich platinum mines owned by large and wealthy mining corporations. Platinum has replaced gold as the major foreign currency earning export, making the Rustenburg region a growth area with significant economic resources, but also one to which many poor and unemployed people gravitate in the hope of finding work. The Rustenburg Community Foundation initiative started in March 1998, and is one of three that have developed furthest to become a registered trust /community foundation. Its key achievements include:

- A Board of Trustees with 11 members, elected January 2000, reflective of the community and with needed capacities;
- Monthly Board meetings;
- Five functioning subcommittees;
- A high profile public launch in June 2000;
- Friends of the community foundation (database and information letters, but no regular meetings);
- A strategic planning workshop for the Board, resulting in plans and a budget for 2000;
- Three on-site policy development workshops;
- Policies for asset management, grantmaking and fundraising;
- Received grant of R1 100 000;
- Local community contributions of approximately R10 000;
- Pledges of approximately R500 000 from outside donors;

- Purchase of a house for offices and as an asset, with plans to rent part of the premises for a regular income;
- R500 000 grant to Rustenburg Community Development Centre on behalf of Impala;
- R200 000 channeled to a local nonprofit organization via the Rustenburg Community Foundation by Amplats;
- Good general community awareness from high profile launch and use of local media;
- Logo/letterhead;
- Support from key business people, nonprofit organizations, and most tribal leaders; and
- Needs analysis research by a Community Development Centre staff member on the community foundation Board.

Apart from employing staff and developing a fundraising plan for additional funding from local and outside sources, its tasks ahead include establishing a regular forum for interaction with leading community members and supporters; developing a brochure; increasing local awareness and contributions, both corporate and from individuals; and starting to make grants.

The key challenges for Rustenburg Community Foundation include:

- Power relations within and between stakeholder groups on the Board, and whether it becomes donor and business or community driven, or a healthy, balanced and co-driven partnership;
- More equal participation in meetings, and a chair to facilitate this;
- Strengthening its identity independent of the Community Development Centre;
- Development of an appropriate relationship to the Community Development Centre as incubator;
- Development of an appropriate relationship with SAGA;

- Policy regarding its role in development facilitation;
- Understanding and policy regarding development practice; and
- Whether to act as a conduit and manager of a specific grant by an external funder.

3. *The Stutterheim Community Foundation*

The Stutterheim Community Foundation started in April 1998, and is one of the three community foundations that has progressed furthest to become a legally registered Section 21 organization and community foundation in August 1999. The Stutterheim Community Foundation is located in a small rural Eastern Cape town, which, unlike Richards Bay and Rustenburg, lacks any significant local industry or wealth. Though the town is resource poor in this respect, it is unusual in that there are capable people with development experience, and relatively strong relationships between previously divided communities, largely connected to the Stutterheim Development Foundation (SDF) and its history. Indeed, it was as a result of these factors that this became a site for a community foundation.

This community foundation was incubated initially by Stutterheim Development Foundation, a well established and very successful development nonprofit organization. However this role was taken over by a retired volunteer pioneer/coordinator with his own resources, who made a significant contribution in leading and driving the community foundation, but subsequently resigned. Stutterheim Community Foundation has established an office away from its incubating organization, though it does not have any staff or the resources to employ them at this stage.

Achievements to date include:

- A representative, committed Board of 13;
- R100 000 grant from the Fuchs Foundation (a private foundation);
- Own office and equipment (R50 000);
- Small grants totaling R25 000, and R25 000 for operating costs;
- Strategic planning workshop and plan;



- Operating budget in place (until the end of 2000);
- A comprehensive funding proposal to the U.S.-based international private Foundation;
- Regular monthly reporting to an existing community economic development forum.

The challenges faced by the Stutterheim Community Foundation include:

- Contributing to the rekindling of a widely shared vision in and for Stutterheim;
- Facilitating real links and cooperation between white better off and black poor communities;
- Obtaining outside funding to employ staff and start operating;
- Developing local support and contributions, and innovative ways to achieve these; and
- Beginning to make meaningful, developmental grants.

Its key tasks ahead include: mounting a facilitated Board workshop for strategic review and planning, policy development and dealing with other key issues; developing both policies on grantmaking and a fundraising plan and implementation; and developing a graphic logo, letterhead and a better brochure. In addition, Stutterheim Community Foundation may coordinate discussions to address the closure of the sawmill and loss of jobs.

4. *The Greater Durban Metro Community Foundation*

This is the only one of the ten community foundation initiatives that was not initiated by SAGA, but its representatives did approach SAGA about joining the pilot program. The Durban community foundation initiative started in September 1999, on the request of its subsequent coordinator/pioneer, a staff member of the Durban Metro Council (DMC) Economic Development Department, which is, in effect, acting as incubator. However, what is significant is the support and patronage of the mayor, and the intention to maintain formal Durban Metro Council representation on the community foundation Board once it is formed. This close relationship with local government is a unique feature of the Durban community foundation initiative.

Durban community foundation achievements include:

- A representative, functioning steering group;
- Durban Metro Council support and incubation;
- A capable and committed coordinator;
- A concept document;
- Pledges by ten major businesses to commit 30 percent of their community social investment budgets to the Durban Community Foundation; and
- The mayor as patron.

The Durban community foundation also faces a number of challenges:

- The danger of thinking too big, being too idealistic, and playing for stakes that are too high;
- The danger of Durban Metro Council and big business “hijacking” it (the proposed name—The Durban Social Investment Agency—already puts business’ stamp on the initiative);
- The level/scale/type of development the Durban community foundation is aiming to get involved in—raising questions as to whether a fledgling community foundation (or even a developed one) is an appropriate vehicle to fund the major development projects that business want to fund. The business sector wants to rush the process and see projects soon;
- The need to develop a community foundation that focuses on community foundation core business;
- Getting the Board and the basics in place;
- Representation of the Indian community;
- When to move away from Durban Metro Council.

Its key tasks ahead include: forming a high level Board of Trustees, including the mayor and top business and community leaders, Board capacity building and a strategic plan; finalizing and registering the trust deed; developing a public forum and media communications strategy, including a brochure, logo and letterhead; obtaining funding for operating costs from local sources, opening an office independent of Durban Metro Council, and hiring staff.

5. *The Goldfields Community Foundation*

The Goldfields Community Foundation initiative started in May 1998 when SAGA approached members of the Welkom Development Forum (WDF), a community based structure. The initial group consisted of people with needs hoping to obtain resources, but did not involve people from other stakeholder groupings with resources, and only the immediate area of Welkom was involved. Unlike most community foundation initiatives, they also saw civic and political organizations as key stakeholders.

In the first year, little progress was made in involving wider representation. In May 1999, one of the group approached the director of the Goldfields Metro Community Development Corporation (GMCDC), a housing development nonprofit organization, who agreed to assist, though very committed in other respects. She began attending the SAGA community foundation program workshops, and for the next year tried to form a steering committee, but people who came didn't stay when they realized there was no money to be had in the short term.

After struggling to make headway, the Goldfields Community Foundation Initiative has begun to make significant strides in 2001, achieving the following:

- A new, committed steering committee of competent and appropriate people;
- An incubating organization;
- A committed and capable pioneer;
- A part time secretary/coordinator (a Goldfields Metro Community Development Corporation staff member);
- A strategic planning workshop; and
- The possibility of a significant grant from a U.S. company.

Its major challenges include: involving the mining companies and key local business leaders; as well as developing local government and wider awareness, support and contributions.

6. *The Greater Pretoria Metro Community Foundation*

The Pretoria Community Foundation initiative started in May 1998 with SAGA approaching the Pretoria Development Trust (PDT) to act as an incubating organization. This initiative, together with Durban, is one of two in metropolitan areas surrounded by large peri-urban and adjacent rural areas. Both are thus in communities of millions, and this poses particular difficulties as well as opportunities.

The Pretoria Community Foundation initiative started with the enthusiastic support of the Pretoria Development Trust, who invited people to an initial public meeting in December 1998, at which a steering group of 12 people from the nonprofit/community business sector was formed. The group did a strategic planning workshop facilitated by the Pretoria Development Trust director, which clarified the vision mission, values and objectives. It was a priority plan to gain the support of other stakeholder groups, but this has not occurred to date. This group continued to meet monthly during 1999, with the Pretoria Development Trust project manager acting as coordinator.

The potential and necessary ingredients for a community foundation were there, including a suitable incubator and pioneer, but were not drawn together. Reasons appear to be a lack of commitment, with the Pretoria Development Trust people being unable to contribute sufficient time and energy, and seeing SAGA as being insufficiently committed to provide or arrange what was perceived as necessary seed funding. The initiative was then left in the hands of a small unrepresentative community-based task team without the capacity to constitute a more broadly representative steering committee.

The Greater Pretoria Metro Community Foundation initiative highlights the need:

- For a committed and involved pioneer leader/coordinator directly involved in the learning process;
- To develop a sufficiently strong and representative steering committee as early as possible;



- To involve sufficient people with resources, not just those needing resources; and
- To clarify and agree upon mutual expectations early in the process.

This initiative raises a number of important questions for SAGA, including the extent to which SAGA should intervene directly to support community foundation initiatives where they are struggling; whether embryonic community foundations should have to show they can do it themselves and/or how much and what kind of support is appropriate; and whether SAGA has the capacity to provide individualized support.

7. *The Nyandeni/Umtata Community Foundation*

The Nyandeni/Umtata Community Foundation initiative started in late 1999 when a Kellogg Foundation representative introduced the concept to the manager of the Kellogg-funded Nyandeni Development Programme (NDP) in the Transkei, though SAGA also approached the NDP directly. The Nyandeni Development Programme was itself relatively new, being developed by a large and well established local nonprofit organization. At first the intention was for the Nyandeni Development Programme to become a community foundation, though it is a development project facilitation program. This was still the case at the time of the baseline study in April 2000. The Nyandeni Development Programme had its own steering group with the intention of developing into an independent organization, and this group served, and largely still serves, as the community foundation steering group.

More recently, and as a result of attending SAGA training workshops and learning forums, and interaction with SAGA, members of the steering group realized that the transformation of the Nyandeni Development Programme into a community foundation was not appropriate due to its limited geographic focus, limited representation and largely grant-seeking nature. They then identified about 15 people as suitable members of an extended steering committee, though none have yet been invited to join. The initiative is thus still one of a fairly closed and limited group, that has also lost its impetus on realizing that it was not appropriate to transform their organization into a community foundation. The incubating function was also weak and unclear as it developed at the level of the Nyandeni Development Programme and its manager, which was

itself being incubated by another nonprofit organization (ACAT).

However, a unique factor is Kellogg's involvement as a funder of both ACAT/Nyandeni Development Programme and the community foundation pilot program, and it may be worthwhile for SAGA and Kellogg to approach the new ACAT director as a potential pioneer coordinator for the community foundation, with ACAT as incubator. The area, though generally resource poor, is not completely without resources, as some professional, university and business people are to be found in Umtata. This community foundation initiative needs to be restarted, which will require SAGA to find a suitable pioneer, and help with involving other appropriate and leading people from different sectors.

8. *The Far North Community Foundation*

The Far North Community Foundation initiative started in April 1998 at Thohoyandou, in the Northern Province, which is one of the poorest in South Africa, with 47 percent unemployment. The town itself is an ex-homeland capital whose fortunes have declined with integration, and it lacks any significant economic resources. This community foundation initiative has lacked an incubating organization and thus the basic resources that incubators provide to get a community foundation going. It was hoped that the local council would play this role, but this did not happen. The steering committee has suffered a number of leadership changes and is not representative of all communities and stakeholder groupings, particularly the limited white and business communities that are largely conservative, or the university and local government. An attempt has been made to broaden it by starting a group in Louis Trichardt, about 80 km away. Meetings and communications are difficult for people who lack resources, with only small business people involved.

This community foundation initiative lacks seed funding, an incubator and coordinator with a contact office and equipment, and has not sufficiently achieved the first stage of forming a capable and representative steering committee. No local workshops have been held and a basic data survey has not been done. Members have collected R1 665 among themselves, which is commendable, and continue to attend SAGA workshops, but in two and a half years little progress has been made.

Steering committee member commitment has also been a problem, with some members hoping to access resources through their involvement, and losing interest when they saw this was not happening, or on being asked to contribute themselves. The initial 20 steering committee members have dwindled to 15, but only half of these attend meetings. The steering committee has held six meetings in all this year, and tries to meet quarterly, which is unlikely to generate the momentum necessary to establishing a community foundation. Members of the committee believe that they are ready to select a Board, and register and launch a community foundation, but this is not realistic as the basic stages of community foundation development have not been achieved.

This community foundation initiative acted as conduit for donation of R50 000 from the Fuchs Foundation to the local council for assistance to flood victims in the area. This occurred at a public event with the intention of creating visibility for the community foundation initiative, but did not change its lack of basic community foundation critical success factors. The council has also failed to account to the initiative regarding the actual expenditure of these funds to date.

9. *Greater Middleburg Community Foundation*

Middleburg is a medium-sized, reasonably well resourced industrial town, similar to Rustenburg, Richards Bay and Welkom. It thus has the potential to generate adequate local funding and sustain a community foundation.

The Middleburg initiative started in March 1999 but is effectively on hold throughout 2000. At a third public meeting in February 2000, a steering committee of 11 members, widely representative of local communities and stakeholders, was elected. The mayor and council strongly supported the community foundation initiative, and a Middleburg Forum and Foundation had already been established, though the latter was subsequently dissolved. The steering committee had only one meeting before the mayor, who was playing a key role in driving the community foundation initiative, died in May 2000. Since then, the steering committee has not met and has lacked a pioneer coordinator to lead the initiative. An incubating organization is also lacking, though the council had begun to serve as such while the mayor was involved.

The Middleburg Community Foundation is thus not active, though it had achieved a representative and capable steering committee. Links with SAGA have also been weak since May as the mayor had attended SAGA workshops, while the subsequent contact person has not, and in addition did not see himself as driving the initiative. As yet there have been no local workshops and the nascent community foundation only reached the first development stage, petering out during the latter half of 2000.

At the time of the baseline assessment in March, it seemed that this community foundation was moving fairly quickly toward formalization. The loss of the key driving person resulted in a sudden halt to progress, demonstrating just how crucial the pioneer is in most initiatives, particularly of a voluntary nature. It did, however, start in an area with good potential and a viable steering committee was constituted. There is also a mayoral fund of R350 000, plus R40 000 from the now defunct Middleburg Foundation, which may be available as seed funding for a Middleburg Community Foundation. In addition, representatives of five large local corporations were introduced to the community foundation concept and expressed interest in a follow-up meeting with SAGA. For these reasons it may well be worth while reviving, if a suitable pioneer and incubator can be found. This is the key to re-starting this community foundation initiative, a process in which SAGA will need to take the initiative.

10. *Lesotho/Matshekga Community Foundation*

This initiative is the most recent, having started in February 2000 in the Matshekga region in the north of Lesotho. This is a resource poor, completely rural area consisting of 80 villages involved in subsistence farming. There is no town or industry, though the Highlands Water Scheme which involved significant investment is in the area, and apparently has funding for projects. Though the community is otherwise homogeneous, there are tensions between rival political parties. There are also natural tensions and suspicion regarding South Africa. There is minimal local infrastructure, and local governance is in the hands of chiefs and a central government controlled district council. The only other significant stakeholder grouping is the



churches. There are no nonprofit organizations or funders active or based in the area, though a University of Lesotho extension project is interested in becoming involved.

This community foundation is being developed on the basis of an existing association of 11 agricultural and burial cooperatives which pool money for use by members. Each group has its own account, and the idea is to pool these under the proposed community foundation, which is seen as a way of accessing additional resources from outside the area, and of developing a source of sustainable development funding. A key person is the pioneer and leader of the cooperatives association, and his commitment to pioneering the community foundation will be important to its success. At the time of the baseline assessment, the proposal was to develop a nationwide community foundation, but this has not been pursued and the initiative is currently focused on one of nine regions. The Lesotho Community Foundation has a steering committee of 11, with a key chief as an ex officio member. Various members have attended SAGA workshops but the leader of the cooperative association has not been directly involved, which is cause for concern.

This initiative is unique in being in a completely rural and traditional area, and being developed on the basis of an existing local savings scheme. An issue of concern is that the nature and objectives of the cooperatives do not coincide with those normally associated with a community foundation. People are saving jointly for very specific purposes and have control over their own money. Will the 11 groups be willing to pool their money and give up control of it to a community foundation Board? Will they have access to the money when they need it and for the purposes for which they saved it? Very specific and formal agreements will probably be necessary to safeguard the interests and rights of participating groups. It seems that the political undercurrents and differences and resulting distrust may hinder the process, which requires a far higher degree of trust than for other community foundation initiatives, as very poor people are being asked to commit their own limited and hard earned savings. However, if this can be accomplished, and the community foundation established, there is a possibility that it could become a conduit for development aid funding, which will be essential if it is to gain sufficient resources to be cost-effective.

This initiative, situated in probably the poorest area, is unlikely to become a community foundation based on the classical model, but appears to have the potential to develop further. It is however at an early stage, and the critical success factors will be the full involvement and commitment of the pioneer coordinator, and of a donor willing to fund the enterprise.

Critical Success Factors

It is apparent that the community foundations participating in the SAGA pilot program represent a cross-section of communities within South Africa, both urban and rural. Each would appear to be facing context-based issues and challenges, requiring novel approaches and solutions. But some themes emerge:

- *Understanding of the Community Foundation Concept.* In general, understanding of the community foundation concept is low among the representatives of the various structures participating in the program. This comment also holds true for members of governing bodies (Steering Committees and Boards of Trustees).
- *Representation.* More successful steering committees are fully representative of their communities, including all categories of local structures and races. Those who are not are almost exclusively black, seem to accommodate some unemployed members (apparently searching for something to keep themselves busy), or attract members on the basis of past connections.
- *Links with the Business Sector.* Efficient steering committees have strong links with the business sector, while less efficient ones do not seem to have access to local/other sources of wealth.
- *Political Impartiality.* Inefficient steering committees continue (even if covertly) to perceive the community foundation as a “political vehicle” and hence cannot demonstrate its impartiality with any level of credibility. Conversely, successful steering committees demonstrate that they themselves have crossed the “racial/political divides” that form part of the roles of community foundations in this country.
- *Leadership and Commitment.* Those steering committees that have strong, visionary leaders seem to generate commitment from their teams and consequently show the best progress.

- *Community and Stakeholder Participation.* The community foundations have, generally, not yet succeeded in obtaining broad-based community participation. In most instances, it is too early in the process to have embarked on large-scale community awareness campaigns. However, all the steering committees are planning to involve their local communities.
- *Infrastructures and Incubators.* Emerging community foundations are inhibited by a lack of infrastructure, a factor which seems to frustrate some of the steering committees and manifests itself as a criticism of the SAGA pilot program. It is also apparent that the stronger the incubator, the more the steering committee is enabled and empowered to “get to the job done.”
- *Strategic Positioning and Operational Planning.* In general, those steering committees/Boards who have, or are in the process of conducting, strategic planning exercises also seem to be progressing faster in terms of organizing their operational processes.
- *Funding.* Those community foundations that have obtained funding have managed to do so mainly from international funders, with some limited local involvement (mainly from two South African corporations and one grantmaking foundation). None of the community foundations have progressed to the level of generating “community money” and it is envisaged that this factor will shortly come to play a significant role in obtaining local business funding.
- *Founding Incorporation, Legal Status and Taxation.* This aspect in the process of establishing a community foundation requires considerable assistance from SAGA, in the absence of prototypes or standard documentation, relevant to the South African context (such as a Deed of Trust, etc.), as well as in light of the professional expertise required to attend to applications for tax exemption, etc. (which is an unfamiliar aspect to most participants).
- *Grantmaking.* None of the community foundations are yet in a position to make any grants (with the exception of one that acted as a conduit for a grant received to assist flood victims in one province of the country).

4. Key Tensions and Challenges in Developing/ Supporting Community Foundations

In summary, SAGA offers some of its key learnings:

- *Gaining Acceptance of a New Concept.* The concept of community foundations is new in South Africa and is not yet fully understood by the participating groups. For example, the idea of giving money and time to this process at a time when local populations are expecting their government and donors to step in and help seems contradictory. This is coupled with extreme poverty in the midst of plenty and it does not seem to make sense to expect local people to contribute to development. Expectations for people to volunteer their time for committee meetings at a time when unemployment is so high seem unrealistic.
- *Difficult Political and Racial Bridges to Build.* The existing political and racial differences are clearly very difficult to negotiate. While it is difficult enough to work across racial boundaries, the situation is made complex by strong differing political affiliation. The ability to build trust and bring different stakeholders to the table takes time and great skill. It is so important to get the relevant stakeholders on board because each has resources and assets that will play a significant role in the success of the community foundation.
- *Lack of a Supportive Legal Environment.* Unlike in many developed countries, the current tax laws in South Africa do not provide incentives for individuals or corporations to give to the civil society sector. While there is work underway to liberalize these laws, it is not clear how long it will take and whether the new laws will provide the required incentives to release funds for community development, build permanent endowments and provide an appropriate legal framework for the registration of nonprofits like community foundations. It is, for example, required that most of the profits be spent and only 25 percent may be reinvested.



- *Current and Future Needs.* While a few endowments exist in South Africa, the concept is not fully understood and the tension between current needs and saving for the future makes it difficult for many to see logic in saving for the future. There is little knowledge of how an endowment might be built or what the sources of funds might be. It will, therefore, be imperative for community foundations to continue educating different audiences about the role of endowments.
- *Limited Tradition of Organized Philanthropy.* While some forms of philanthropic tradition exist (letsema/ilima/stockvels/burial societies—emphasizing joint savings for the future)—there is not a strong history of organized philanthropy and a culture of giving for social good by the wealthy. Encouraging giving by wealthy families and individuals has great potential in South Africa and could be a source of enormous resources for development and the nonprofit sector in the future. This will, however, take time and work to ensure that all the stakeholders see the benefit of getting involved in this process.

Future development of community foundations will be greatly facilitated if there is a conducive tax regime specifically to encourage giving; economic growth and reduced unemployment; an increased culture of giving, related to greater community integration, a reformed tax structure and greater awareness of the degree of poverty in the communities; greater community cohesion and social capital; better governance, decreasing fragility and lack of experience in government, and a constitution that respects human rights; strong public/private/community partnerships with all stakeholders working together to address community problems and learn about each others' needs; and strong civil society organizations to strengthen democratic institutions.

More specifically, development of community foundations in the next five years in South Africa requires an appropriate legal environment; more local donors understanding the concept of community foundations and helping to mobilize resources through providing matching grants; and resources to build greater institutional and community capacity, especially in disadvantaged communities.



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