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Community Development Foundations

Emerging Partnerships

Joyce Malombe



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Joyce Malombe

NGO and Civil Society Unit

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Copies of this paper are available from:

NGO and Civil Society Unit
Social Development Department
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433 USA

Fax: (202) 522-1669
E-mail: ngo@worldbank.org
Internet: <http://www.worldbank.org/ngos>

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Executive Summary

The role of partnerships in development has become a major concern among development players in the last decade. This is primarily due to the changing roles of different partners and their increased interdependence; the success of development efforts now depends more closely on synergies between these partners. An important partner in this changing scene is the civil society sector.¹ The role of civil society in development has increased significantly in the last decade due, in part, to the realization that meaningful, long-term, and sustainable development requires the full engagement of this sector.

Another trend that reinforces the importance of partnerships is its modest impact on poverty reduction, in spite of continued and (often) increased support. Partnerships, however, remain a challenge for most donor agencies,² which have difficulties forming partnerships with civil society organizations. Community development foundations (CFs),³ the main focus of this study, represent one of the new community development concepts that addresses the issue of long-term funding through both building permanent endowments⁴ and building and strengthening partnerships. This study presents community development foundations in a number of contexts to highlight their emergence and to explore possibilities for partnerships with different stakeholders.

Outside the United States, CFs have emerged mainly to address the lack of capacity and resources in the civil society sector and poverty in its various contexts. These CFs, especially in developing and transition countries, have come about as a result of the realization that, for the civil society sector to rise to the challenges of the day, better organization, increased capacity, and diversified sources of funding are required. Despite possessing characteristics similar to the community foundations movement in North America, emerging CFs

are unique in each country because they respond to the specific contexts in which they exist. In all cases, however, they exist to raise funds for permanent endowment that supports the civil society sector.

This report examines the emerging picture of these local institutions that exist solely to support the civil society sector by building their operational and financial capacity. The report also assesses the role of these institutions in community-based and community-led development and the possible role of partnership between donor agencies and other stakeholders working on community development and poverty reduction.

Distinctive Characteristics of Community Development Foundations

Emerging community development foundations are formed by a multifaceted group of local community development leaders, and they are funded from various sources, including private foundations, private and public sectors, local communities, and individuals. Most emerging CFs⁵ seek to address community development issues—particularly those related to poverty—by seeking long-term funding to build permanent endowments and by building operational and financial capacity of local nongovernmental organizations (NGOs)⁶ and community-based organizations (CBOs)⁷ through capacity building and other types of support.

Donor agencies involved in funding CFs see the role of the CF as pivotal in ensuring a greater impact on development, particularly poverty reduction. CFs are locally based and seek long-term solutions to locally defined problems, which facilitate local ownership and eventually lead to sustainability. Community development foundations have several distinct characteristics; a list of those characteristics follows.

Capacity Building for Civil Society Development Organizations

Community development foundations support NGOs and CBOs of various strengths and experience. These include small and sometimes weak CBOs that may not be registered but have the potential to make an impact on the community. CFs provide the necessary services or skills primarily through established NGOs. They also facilitate networking among similar CBOs.

CFs concentrate on specific areas or groups of people and they provide the tools to closely monitor development and its impact on programs at the local level. CFs measure impact and ensure accountability to a broader constituency. As grant makers, they serve as a mediating mechanism between donors and recipients (connecting money with people and vice versa) and thus bridge any existing gap between the two.

Assembling Assets and Resources

CFs draw on a range of domestic and international financial sources for community development, including the private and public sectors and individuals. They have been particularly creative in gathering resources from the private sector and from individuals of wealth (in developing countries, this source is more limited), who are interested in community development.

The relative advantage of CFs as local mobilizers of domestic and international sources allows them to have a significant effect on both stimulating new financing and on connecting financial resources to the community level where they can have the greatest impact.

CFs build endowments for long-term community development. This long-term development allows for flexible funding, which is critical in addressing emerging and changing development needs. Flexible funding is also important when addressing a problem like poverty, which has complex and multifaceted issues.

Stimulating and Promoting Partnerships

CFs connect people, institutions, and donor agencies. These connections are made by placing partnership mechanisms at all stages of development. CFs, for example, are formed by representatives of diverse sectors, including NGOs, the private and public sectors, citi-

zens, and government officials. Many CFs are formed after extensive consultation with different stakeholders who continue to be involved with the institution over a long period of time. CFs also create space for donor agencies to forge partnerships for community development as indicated by their diverse sources of funding. These efforts help consolidate resources and, at the same time, provide opportunities for development of local institutions.

Promoting and Supporting the Involvement of the Private Sector

Involvement of the private sector (both large and small businesses) in community development is probably one of the most innovative activities of emerging CFs. In each of the cases, there was either significant involvement of the private sector or a clear strategy to involve them. The level of involvement extends beyond financial resources to technical and human resources. Their participation is crucial in governance, management, and the investment of funds.

Interface for Public Policy Dialogue

One of the main frustrations of the civil society sector has been its fragmentation and inability to address policy issues. Many factors have contributed to this, including the size of civil society institutions and the fact that they are not representative of the other institutions and at times only address sectorial issues. CFs create space for different organizations to convene discussions on policy issues. With time, CFs have the potential to organize and allow for inputs and participation of the civil society sector in policy dialogue.

Challenges

One of the main challenges faced by emerging CFs is that of building permanent endowments. This is primarily because most donor agencies do not provide funds for endowments. Raising domestic funds presents many challenges because the concept is new, and it is also a departure from traditional development funding mechanisms. This endowment challenge is compounded

by the lack of an enabling environment and an unstable investment climate. For CFs to function properly, there must be partnerships. Although the importance of partnerships is recognized, it is not common practice. Partnerships take a long time to build and to take hold. Further, many donor agencies do not create space for meaningful partnerships with civil society.

Recommendations and Possible Next Steps

Developing effective partnerships is key to the World Bank's ability to deliver its development agenda, and it is central to the Bank's strategic compact and the Comprehensive Development Framework (CDF). Partnerships allow the Bank to build on the comparative advantage of its partners in order to enhance development effectiveness and impact. Enhancing development effectiveness and impact calls for more deliberate efforts to reinforce existing partnerships and to forge new ones.

The current development debates include a discussion of the importance of community-driven development, the importance of partnerships, and the need to target the poor. Such pressing issues make partnering with CFs timely. The role CFs can play in advancing these agendas can be pivotal because of the mechanisms of community development that they instill. Within the World Bank, issues of partnerships have had a high profile through initiatives like the Comprehensive Development Framework (CDF), the Poverty Reduction Strategy Papers (PRSP), and the emerging Community-Driven Development (CDD) framework. Other initiatives, like the Business Partners Program, Participation Initiative, Social Capital Initiative, and Social Investment Funds could benefit from the existing CFs. While these initiatives support increased civil society involvement, more clear-cut support is required to partner with CFs. This requires forging and strengthening partnerships with both the public and private sectors. Some potential next steps include:

- To facilitate information dissemination by sharing the findings of this study with different interested groups within the World Bank, donor agencies,

and various CFs in developing countries, who have no access to experiences beyond their own country experience. This information would increase understanding of the CF concept and give different stakeholders opportunities to decide on the suitability of the concept for their local situations. Understanding how CFs work would also play a significant role in fostering an enabling environment, which is lacking in many countries.

- To facilitate learning by creating a global learning and support network that could be funded by interested donor agencies and based at the World Bank.
- To form a partnership fund for undertaking a few pilot projects. There is interest in these pilot projects by a few governments, and some donor agencies are thinking of ways to support these emerging institutions. Private foundations have already led the way by helping start a number of community development foundations but bilateral and multilateral agencies definitely need to play some part in these efforts.
- To facilitate and strengthen the involvement of the private sector in CFs. Thus far, emerging CFs have actively involved the private sector, but this is a process that is just beginning. The World Bank could use its influence to encourage the private sector to become increasingly more involved in community development.
- To facilitate an enabling environment for CFs. CFs are new institutions that are usually not covered by existing NGO laws in some countries. The World Bank could extend its support to cover both NGOs and CFs. To date, support of NGOs by the World Bank has contributed to an increase in support by governments. This could have a parallel impact on CFs.
- Finally, to allow donor agencies to play a significant role in providing funding for CFs, either for operations or for building endowments. While some donors do not fund endowments, the long-term benefits of endowments make a persuasive argument for their consideration. Experiences with building endowments for the environment through the Global Environment Facility (GEF) provide opportunities for consideration of community development foundations by bilateral and multilateral

agencies, particularly given their renewed interest in poverty reduction. Some existing funding could also be used for building endowments—especially

in the case of Social Investment Funds—if the receiving governments are interested.

Part I

1. Introduction

Background to Community Development Foundations

In the last decade, many community development approaches have emerged that address changing development realities and the increasing poverty in many countries. Addressing these issues calls for partnerships with the relevant stakeholders, including those in the civil society sector. Partnership with civil society is also essential in promoting sustainable development because such partnerships create space for expressing the varied and complex needs of society, and for motivating individuals to participate in issues that affect their lives.

While the importance of civil society in development has been recognized, their meaningful involvement has been challenged by myriad factors. Some of these factors include: lack of long-term financing, no capacity to carry out comprehensive development, lack of structures that allow civil society organizations (CSOs) to participate as partners, lack of strong local institutions, and lack of ownership, among others. Different strategies have been developed to address these issues. While there is success in some cases, these successes are usually on a small scale. It is in organizing and creating financial and human resource capacity at the local level that concepts like community development foundations seem to be playing a pioneering role. Although this fledgling concept only exists in a few countries, it already faces a number of challenges that need to be addressed for CFs to live up to their full potential. These challenges are specific to each country and depend largely on the understanding and involvement of civil society. Much also depends on how long the CF has existed in a particular country, and its relationship with the public, private, and social sectors.

Community development foundations simultaneously address both funding and local implementation needs. CFs have a proven record in industrialized countries like the United States, Canada, and to some degree, the United Kingdom. As these institutions emerge in developing and transition countries, they are sufficiently promising and merit investigation and assessment. This report therefore examines the experience of CFs in nine countries to gauge their emerging roles in sustainable community development. This study also assesses the possibility of partnerships in supporting the development of CFs at various levels. Significant attention is paid here to the pivotal role of the private sector in the development and management of these institutions.

The background to the Community Development Foundation Initiative dates back to Mr. James Wolfensohn's dialogue with the presidents of major U.S. private foundations in 1996 to discuss possible collaboration in development efforts at the local level. This initiative, funded by the Ford Foundation, was a product of that meeting and thus the main focus of this report. This report examines the emerging picture of the CF concept and identifies areas of possible collaboration within the framework of World Bank operations.

The main objectives of the CF Initiative are:

- To examine the emerging roles of CFs in different contexts;
- To increase understanding of the CF institutions;
- To identify possibilities for partnerships and links between CF activities, World Bank projects, and other interested partners; and
- To identify possibilities for pilot programs (where applicable).

Methodology

Community development foundations have had a very short history in most countries, with the exception of the United States and Canada, where they have been in operation for many years. While some data exist on U.S. community foundations, very little research has been done on emerging foundations in other parts of the world. Although CFs are few, their numbers are steadily increasing. For example, in the United Kingdom, 27 community foundations have been formed within the last 12 years. Numbers in Africa and in Eastern and Central Europe reflect similar trends.

Given the limited availability of information, the relatively short history of these institutions, and the clear regional differences, the case study approach was chosen for this report. A total of 12 cases were investigated, including three from Eastern Europe, four from Africa, two from the United Kingdom, two from the United States, and one from Latin America.

The case studies include the following:

In Africa:

- Foundation for Community Development (FDC) (Mozambique)
- Kenya Community Development Foundation (KCDF)
- Uthungulu Community Foundation in South Africa (launched in July 1999; eight others are in the formative stage)
- The West African Rural Foundations (WARF)

In Latin America:

- The Oaxaca Community Foundation, Mexico

In Eastern Europe:

- Healthy City Community Foundation Banska Bystrica and Zvolen, the Slovak Republic
- The Carpathian Foundation
- Usti nad Labem Community Foundation (ULCF), Czech Republic

In the United Kingdom:

- The Greater Bristol Foundation (GBF)
- The Oxfordshire Community Foundation (OCF)

In the United States:

- The Montana Community Foundation (MCF)
- The New Hampshire Charitable Foundation (NHCF)

The selection criteria included number of years of operation, grant-making experience, plans to build endowment, and support from a number of partners. Once the cases were identified, a questionnaire was developed (see Annex 1). Interviews using this questionnaire were carried out with the staff, board members, and grantees. Discussions were also held with civil society organizations to include their views on the selected CFs and on the general community development environment. This information was supplemented by annual reports, strategic plans, internal and external evaluations, and other available documents.

The two U.S. cases were selected in order to highlight the characteristics of established community foundations; that is, to better understand the CF concept and assess its suitability to conditions in other contexts. The study of the cases in the United States was also motivated by the fact that efforts to start new community development foundations, supported by international private foundations, draws on successful experiences in United States. It therefore became important to understand the characteristics of the traditional concept to better comprehend the expectations of these foundations and to assess whether this concept can be applied in developing countries. Moreover, there are often exchange visits made to the U.S. community foundations before the emerging foundations decide whether the CF concept is appropriate for their community. The selected U.S. community foundations have been visited by the board and staff of some of the emerging CFs. The two U.S. cases also address the issue of rural economic development, which targets poverty in the United States; this poverty focus represents a common ground with some of the emerging foundations around the world. The U.K. cases were selected because of their emergent status, their focus on support for the volunteer sector, and their efforts to address poverty.

This document is divided into four parts: Part I (chapters 1 and 2) consists of the introduction and general characteristics of community development foundations; Part II (chapters 3 through 5) presents a discussion on

partnerships and on the advantages of CFs and recommended next steps, which include opportunities for partnerships in development of CF development, especially with the World Bank and other donor agencies; Part III (chapters 6 through 10) presents the 12 case studies.

Defining Community Development Foundations

There is no consensus on the terminology used to refer to community development foundations. This is particularly true in developing countries, where CFs take on myriad forms. Some of the commonly used terminology in developing countries includes community foundations, civil society resource organizations, local foundations, Southern foundations, etc. In this report, the term community development foundation is used for its reference to development, which characterizes emerging community foundations in developing countries and in Eastern European contexts.

In these contexts, an emerging local community development foundation is defined as “an independent, philanthropic organization (part of the nonprofit, nongovernmental sector) dedicated to addressing critical needs and improving the quality of life in a specific geographic area” (C.S. Mott 1998a). Community development foundations can, however, be better identified by their services, which can include combining a program of operation with grant making; mobilizing resources for both endowment and to fund civil society; providing donor services; convening civil society groups; bridging institutions to other sectors; and pro-

viding technical assistance and training. These services become available at various stages of development in emerging CFs, as shown in Part III, where detailed profiles of CFs are discussed. It is also important to point out that one of the most notable aspects of CFs is endowment building, which is a daunting challenge; although it is too early in the lifespan of CFs to predict whether significant endowments will be raised, the progress thus far is encouraging.

In places where the concept is more developed, such as in the United States, Canada, and, to some extent, the United Kingdom, these institutions are commonly known as community foundations and have been defined as “a tax-exempt, independent, publicly-supported philanthropic organization established and operated as a permanent collection of endowed funds for the long-term benefit of a defined geographic area. . . . A community foundation actively seeks new, typically large contributions, and functions primarily as a grant-making institution supporting a broad range of charitable activities” (Agard, Monroe, and Sullivan 1997: 15). “Generally, the governing body of a community foundation broadly represents the community and serves the charitable needs of a diverse group of organizations and individuals within its designated geographic area” (Korman and Gaske 1994: 1327). Similarly, in this context, the community foundation is defined mainly by its services and function. In most cases, these services are well developed; functioning community foundations have proven records of assembling financial resources and building endowments to address the needs of particular communities.

2. General Characteristics of Community Development Foundations

Formation and Development

Community foundations have existed in the United States since 1914 when the first community foundation was started in Cleveland, Ohio. A banker, Frederick H. Goff, “developed a cooperative model of philanthropy that gathered together a mix of charitable funds under one umbrella” (James 1989: 63, in Magat 1989). Goff was responding to the fact that some donors left bequests and made designated grants for specific purposes and were unaware that community needs were in constant flux. At the same time, some donors left small, unrestricted bequests, which were costly and time-consuming for bank trust departments to manage. In this particular case, the bank continued to invest the money from bequests, but they relegated responsibility for distributing the income to a separate entity—the Cleveland Foundation—with a publicly appointed volunteer board of leading citizens (Council on Foundations 1992: 7). Since then, the number of community foundations has increased steadily. By 1999, there were more than 500 community foundations in the United States.

Community foundations in other parts of the world have a much more recent history coupled with rapid growth. For example, in the United Kingdom, CFs date back only twelve years. Within this same time frame, 27 community foundations have been formed in the United Kingdom and an additional 30 are in the earlier stages of development. In Eastern Europe and parts of Africa, CFs have an even shorter history, but their numbers are growing quickly. Other countries in Europe, such as Germany, are reporting a rapid rate of growth as well.

In each country, community development foundations are started by local people who are familiar with local development issues and who are committed to change in their communities. These are people who

are willing to play an active part in changing their environment. Most of these people are leaders from the community, NGOs, or local businesses. In all cases, extensive consultations with possible stakeholders take place to identify the existing gaps and how to fill those gaps. The process is unique in each country or locality, and the motivating factors are well articulated in their mission statements. A few examples of mission statements are listed in Box 2.1.

Mission statements are an important way for CFs to articulate their role and their commitment to achieving their goals through creating different partnerships. The process of developing these mission statements takes time and develops after extensive consultation with myriad stakeholders whose views have to be considered. While the mission statements address existing problems, they are also dynamic and allow for changing realities at the local level.

Although the process of forming community development foundations is different in each country, all CFs are characterized by the involvement of local community development leaders and other donor agencies, particularly private foundations and other proponents of the concept (like community foundation support agencies; some examples discussed in this report include Southern Africa Grantmakers Association (SAGA), Community Foundation Network (CFN), and Community Foundations of Canada). In some cases, large private foundations put their funds together to support local associations by providing the required technical assistance to emerging foundations. This is true of the nine emergent community foundations in South Africa, where the Ford Foundation, the C.S. Mott Foundation, and the Kellogg Foundation are providing the necessary technical assistance to SAGA. In the United Kingdom, the Community Foundation Network

Box 2.1. Examples of Community Development Foundation Mission Statements

Mozambique: “The FDC (Foundation for Community Development) is a private not-for-profit grant-making foundation that aims at building partnerships for strengthening the capacities of disadvantaged communities with the view of overcoming poverty and promoting social justice in Mozambique.”

Oaxaca: “To promote the participation of the civil society in improving the welfare and standard of living of the vulnerable and marginalized sectors of the Oaxaca by means of initiatives that generate fundamental and lasting change.”

Uthungulu: “To harness available resources to maintain a permanent endowment fund that enhances socioeconomic development in a transparent and accountable manner with all relevant stakeholders.”

Montana: “The MCF and its members are dedicated to strengthening the long-term funding capacity of Montana’s

nonprofits, strengthening the fabric of our communities through expanded educational opportunities with scholarship programs, strengthening the ability for communities and institutions to sustain themselves into the future.”

Eastern Europe: “The Carpathian Foundation is a unique cross-border community foundation that provides grants and technical assistance to grassroots NGOs and local governments, focusing primarily on economic development and transfrontier activities. It encourages the development of public/private/NGO partnerships, including cross border and inter-ethnic approaches to promote regional and community development and to help prevent conflicts.” The mission of the Foundation is to promote “good neighborliness, social stability, and economic progress in bordering regions of Hungary, Poland, Romania, the Slovak Republic, and Ukraine. The Carpathian Foundation works to revitalize rural areas by promoting community development, cross-border and inter-ethnic co-operation.”

(CFN; formerly the Association of Community Trusts and Foundations) is promoting the concept and providing technical assistance to start-ups, while the Canadian Association of Community Foundations is playing a similar role in Canada. Community foundation support organizations are defined as “membership associations of community foundations offering expertise, visibility, and influence with donors and policy makers. They serve as clearinghouses for member interests and needs and receive funds. . . . With these funds, they provide member services such as technical assistance, consulting, and advocacy” (Tully 1997: 4).

In all cases, the CF formation is a locally driven consultative process involving local people and other stakeholders, such as the private and public sectors. CFs also create opportunities for donor agencies to get more involved in local development by providing their expertise and other forms of support. For example, large private foundations like Ford and the C.S. Mott Foundation have played a significant role in the developmental stages of emerging CFs. They have gone beyond providing just funding and have contributed “ideas, time, support, and access to resource-rich networks during the founding of the new organization. International actors often had significant, even determining, influence in shaping the subsequent development of some

local foundations” (Ashman, Brown, and Zwick 1997: 7). It is important that donor agencies play the role of the partner who offers expertise and avoids dictating the agenda of these local foundations. When donors serve on boards, they do not represent the donor *per se* but bring in their expertise and link the emerging foundations to other players, including their partners. The final say rests with the board, not with the donor agencies. This is reinforced by well-trained boards that do not take a back seat but fully determine the direction of emerging foundations. When the skills of the different participating stakeholders are properly utilized, the local foundations benefit tremendously. The donor agencies also benefit from this process by getting closer to the people they seek to help.

Growing global interest in the CF concept has been hastened by a number of factors that include expanding the scope of successful projects, targeting disadvantaged and marginalized people, and stimulating and strengthening partnerships.

Expanded Scope of Successful Projects and Facilitated Local Ownership

Two CFs in the Czech and Slovak Republics were an expansion of successful projects. The Community

Foundation of Banska Bystrica (CFBB), for example, emerged from the Healthy Cities Project. A group of local leaders interested in expanding the success of this project to include the whole Slovak city of Banska Bystrica initiated the process. Also, some of the group members had been introduced to the U.S. community foundations concept, which they believed could make a difference in strengthening social capital and creating space for local people to contribute to their own development. To determine whether this idea was viable, the group held extensive consultations with other local leaders and community groups in Banska Bystrica. The end result was the formation of a city foundation with the support of the local authorities, who continue to give support in many ways.

The Usti nad Labem Community Foundation in the Czech Republic emerged from a regional fund that had included different partners; this fund had been set up to provide adequate and relevant services for mentally ill persons. The founding group had worked in this sector for years and had expressed dissatisfaction with the service provision. They sought alternative ways to integrate mentally ill persons into society instead of isolating them in institutions. The group realized at an early stage that this issue could be effectively addressed through partnerships, and they approached representatives of different institutions and businesses to reach creative solutions. These representatives were invited to join a self-selected group of people who created a regional fund to address the problem. Once the success of this approach was apparent, this group decided to expand and to be more inclusive. At the same time, the group was exposed to the concept of community foundations. Thus the decision was made to form a CF with greater sectoral coverage.

In these two cases, the development process was locally driven. The CF concept was adopted because it was an effective way to address their issues of concern. These two cases from Eastern Europe provide a model for moving successful projects to a sustainable level given local leadership, interest, and commitment to building and strengthening partnerships. These aspects of forming a successful community foundation are important because local people must be committed to carrying the process to fruition. Given the many successful projects that have not had the expected impact, the CF concept provides

many possibilities for sustainable community-based development. If successful projects are to extend beyond the project period, genuine participation and commitment to build local institutions that can outlast the project are necessary. Local groups must also be exposed to alternative development concepts so that they can decide in which way to expand their efforts. This not only increases the impact of the project at the local level, but it also brings in other partners, which leads to broad-based ownership and support, and eventually to sustainability.

Targeting Disadvantaged and Marginalized Groups

In all the case studies, CFs were started by people who were targeting particular issues or community groups. All new CFs were dedicated to effective poverty reduction strategies and to finding existing gaps in such strategies. The people involved in new CFs were not willing to just duplicate activities; instead they wanted to make a lasting impact by addressing unmet needs. This issue-driven method continues to prove effective. The lengthy process required to institute CFs is motivated by the realization that if the issue of poverty is to be addressed, those that are isolated and marginalized should be given the highest priority. This was particularly true in the case of Usti nad Labem in the Czech Republic where the concern was with the institutionalization of mentally ill people. The CF was instituted to change the approach of local service providers.

Similarly, the Kenya Community Development Foundation (KCDF) came about as a result of consultations with many stakeholders regarding why poverty reduction strategies had not made the necessary impact. These discussions revealed the need for local people to define the development agenda and to become engaged in the process of change. The attitude of donors also needed to change, and NGOs needed to accept their responsibility to local groups. Strategies were developed to address all of these issues.

In the case of the Oaxaca Community Foundation, its programs are tailored to micro-regions, which focused on isolated and marginalized areas. Children, youth, and women were identified as the most vulnerable, and mechanisms were put in place to reach them.

The Oxfordshire Community Foundation in the United Kingdom is similarly targeting the poor in Oxford County. This priority exists for all CFs, but for this CF,

additional attempts were made to include frequently neglected and marginalized groups.

Experience to date has shown that strategies not specifically targeted will only reach a few of the poor people. If one is to reach the most disadvantaged, targeting becomes a necessity. CFs provide an opportunity to target several groups simultaneously and to follow up and monitor the process. CFs also have a built-in learning agenda that is flexible and can change the strategy if it is not working. The willingness to involve different partners in addressing issues broadens their economic base to do so. CFs also utilize the expertise of local NGOs, which have a long history of work with the poor; this cuts some of the costs of starting the process all over again and taps existing expertise and local knowledge. Given the current focus on poverty reduction, strengthening or creating similar institutions would go a long way in supporting sustainable poverty reduction efforts and thereby reduce duplication of efforts.

Stimulating and Strengthen Partnerships

The last few years have been characterized by discussions on the importance of partnerships. Initiating and maintaining partnerships, however, has been a challenge. This challenge has been greatest at the local level where donors have had little experience working together in partnerships among themselves or with communities. In many cases, certain partners, such as the private sector, have been left out. It has become clear that to address the pertinent issues, CFs need partnerships at all levels. For example, partnerships with local institutions are necessary to adequately implement their programs. To finance and manage CFs, the public, private, and social sectors should be engaged. CFs have mechanisms for participation in place; their success depends largely on how well partnerships are managed.

For donors, the attraction to CFs includes the factors listed in the section below.

Accelerating and Strengthening Poverty Reduction Efforts

Historically, the modest impact of poverty reduction strategies and the lack of meaningful participation by civil society organizations caused many donors to question their participation. To involve these organizations, partnerships and coordinated capacity building are

necessary. It is because of these requirements that some donors decided to attempt the community development foundation process. By supporting CFs, the donors hoped to accomplish the following:

- *To provide assistance that builds the capacity of local organizations to develop and implement long-term solutions to locally defined problems.* Many of the donor agencies supporting CFs have worked in development for many years and have established programs in many countries. It became clear to them that long-term and sustainable change will happen only if it is initiated by local people who understand their environment. These are the people who can follow up after grants are made and build capacity for the poor people usually left out of the development process. The need to broaden the base of partnership with local institutions also exists; however, many local groups lack the capacity to participate.
- *To encourage comprehensive community development through shared resources and partnerships.* In most cases, donors have worked independently but experience suggests that working in partnerships provides opportunities to address effectively and efficiently the different issues affecting communities. Historically, the project-based approach leads to problems of continuity after completion, which leads to donor dependency and a negative impact on local communities.
- *To enhance poverty reduction efforts through partnerships.* Effective poverty reduction strategies require different types of resources and partnerships. Most of the available resources leave little room for local institutions to address emerging and long-term development issues, including poverty reduction. Flexible funding is necessary to enable grantees to strengthen their own institutions and to facilitate long-term investment in projects.
- *To broaden the financial base and increase resources⁸ for development by encouraging a culture of voluntarism and philanthropy.* Support for CFs has proved to be an effective mode for partnership between a number of foundations and other agencies. These efforts help to consolidate the resources of foundations and other interested donors while

providing opportunities for the development of local institutions. The need to raise domestic funds has also received significant attention in most new CFs in developing countries and in Eastern Europe.

- *To strengthen civil society.* In Eastern and Central Europe, some CFs were created to strengthen the weak civil society sector and to address specific issues of certain groups. Such was the case with the Carpathian Foundation, which addresses the development issues affecting people in the Carpathian mountain region. Similarly, the West African Rural Foundation targets poor rural farmers in five countries. Both of these regional foundations were heavily funded by large private international foundations and other partners; however, they also involved local leaders who were concerned about development in these areas. In both cases, the CF founders were very involved with local development issues and worked in partnership with donors.

The discussion in Box 2.2 clearly shows that while the formation of CFs may have been motivated by different factors, all CFs are characterized by a locally driven process that seeks to address gaps in community development. Multiple groups were involved in this process, which identifies the engagement of public, private, and social sectors as key. In all cases, the groups were motivated by the desire to solve local problems

and to mobilize short and long-term funds from a variety of sources.

Governance Structures

The structure and composition of the Board of Trustees and Directors is central to CFs because the board plays a pivotal role in shaping community development, raising funds, and making grants. The board is the voice of the CF and gives it credibility, which is critical for fund-raising and for building the legitimacy of the foundation. Further, board members are expected to use their social capital to attract money and supporters for their foundations. They also articulate the mission and vision of the foundation, and they play a significant role in program development.

Composition

The composition of the board is also important for CFs because the board represents the interests of the foundation. In all case studies, board composition is diverse and represents social, private, and public sectors. This diversity broadens the base of participation in community development and facilitates comprehensive community development strategies; it also serves as a conduit of expertise from different sectors and creates an innovative organization that fills existing gaps in

Box 2.2. Examples of Partnerships that Strengthen Civil Society Organizations

To facilitate some of these partnerships, the large foundations have had to go beyond the usual activity of funding development to creating a forum whereby local groups and other donors identify issues and initiate partnerships. The large foundations provide expertise and exposure for emerging CFs to different types of development, and they link local groups with other large foundations. Then the local groups decide what type of institution would best suit their local conditions. This was the case with the C.S. Mott Foundation, which funded different studies in a number of Central and Eastern European countries to identify local resources and mechanisms for community development in those countries. Similarly, the Ford Foundation

funded the process of identifying effective ways of addressing poverty in Kenya by supporting a local consultation process and planning by key local community development experts. The Ford Foundation funded the planning meetings and the exposure to different modes of development for a two-year period and invited other donors to join the local Kenyan Advisory Group in forming the Kenya Community Development Foundation (KCDF). These donors were not just providing funding; they also got involved in helping identify alternatives and linking groups both locally and internationally. This process also utilized the local expertise of those who had been involved for many years in the NGO movement and the struggle to reduce poverty.

the development process. Representation by different sectors also facilitates ownership of the process by a wider constituency, which should eventually address issues of accountability.

To represent the social sector, CFs have a number of NGO and other social sector leaders on the board. This is unique because most nonprofit sector boards do not usually involve other NGO leaders in the management of their organizations. This is particularly evident in developing countries where NGO leaders are usually busy strengthening their own institutions. CFs need NGO expertise to strengthen their programs. In the United Kingdom, the selected members on CF boards have served as trustees of other charitable organizations. In well-developed foundations in the United States, the board members are usually experienced in supporting local foundations and are conversant with local development issues.

Participation of the private sector on the CF boards is crucial, and all CFs have made determined efforts to have private sector representation. While the financial support of the private sector is welcome, most CFs also need the expertise of this sector to help manage their investment and to create professional institutions. This is a real shift from the traditional nonprofit sector board, particularly in developing countries where boards are characterized by minimal active participation of the private sector.

Involvement of the public sector in CF boards was limited to a few CFs but was expected to increase after the institutions were fully formed. The three CFs with board participation of public sector individuals include CFBB, OCF, and FDC Mozambique. For CFBB, the community foundation originated from a local authority project and exists to serve the city. The foundation has two board members that represent the city. Similarly, the OCF has board members who work with the municipality because the foundation is targeting poverty in the county, which is of great interest to the local government. In addition, the OCF board has also sought relevant stakeholders in the county, and the local government is a key player.

For FDC Mozambique, the foundation has enjoyed support from the public sector in a number of ways. Some of the board members are also government min-

isters; however, it is important to note that these members were elected to the board before their appointment to public office. While their current positions could benefit the foundation, they do not represent the government in the foundation. Like many emerging CFs, individuals do not represent their organizations in these governing boards.

While many CFs recognize the importance of public sector support, there is some reticence in involving this sector for fear of losing control and of being identified with the government's past failures to address the needs of local people. In addition, public sector officials have limited experience working with people-driven processes and are likely to affect participation. In some countries, the image of local government authorities is not positive, which would therefore negatively impact the image of CFs. This is compounded by conflicts that may exist between the NGO sector and the government. Such issues are paramount in Africa and the Czech Republic. With time, however, the foundations are realizing that the success of CFs will be greatly influenced by public sector involvement because of its key role in the development process.

Given the required diversity on these CF boards, the process of selection is lengthy and follows different procedures in each country as will be evident in the case studies. However, in all cases, the process includes efforts for representation and a willingness to participate fully in the affairs of the CF. The board composition is also influenced by prevailing circumstances in each country but is broadly governed by inclusion as a means of tapping into often-neglected key resources.

Board Structures

Board structures range from simple groups to more complex bodies, including a variety of specialized committees: executive, operational, advisory, regional, and professional. In some cases, the committees include board members and other members of the public sector who have relevant expertise. These people only serve for the duration of the committee and, although they can serve again, theirs is a time-specific contribution. This structure of involving people from time to time as the need arises enables CFs to tap into existing talent

and expertise in communities where they operate. In some cases, like Montana, the board meetings are held in different parts of the state and are widely announced. Members of the public can attend and offer ideas although they may not vote. Their participation allows them to get more involved in the activities of the community foundation, which should eventually facilitate ownership by local people.

To facilitate the participation of as many people as possible, the board members have a limited term of two to four years, renewable for one term. However, the board ensures that all vacancies do not occur at the same time to allow for continuity. In some of the CFs, the board members who leave can join a CF assembly, which is a wider body that oversees the CF activities (such as in Mozambique and Oaxaca). These mechanisms give other members of the public the opportunity to participate in the CFs.

Board sizes ranged from six to twenty members, depending on the area covered and the need. It is, however, important to point out that the actual number of people involved in influencing the direction of the foundation is larger because each CF has mechanisms that ensure that they tap into human and other resources available from the community or elsewhere. For example, New Hampshire Charitable Foundation (NHCF) has five regional community foundations that have their own directors, boards, and “incorporators.” The five regional community foundations have autonomy (constitute their own boards, raise funds, and short-list possible grantees for the approval of the main executive board) and significant control over their activities. They also generate most of their funds locally. The

Montana Community Foundation has smaller community foundations and regional boards. These have their own governance structures and raise their own funds.

These innovative governance structures are, however, facing some problems that include the fact that most organizations do not work across sectors. Some board and trustee members have little understanding of how a CF functions; thus they need to learn about their role and the institution simultaneously. Moreover, the required mix of expertise of board members draws upon different levels of understanding of development and the financial issues pertaining to decisions. Some of these obstacles are being overcome by systematic board training and the involvement of board members in field visits.

Program Activities

The programs of CFs are influenced by their commitments to social and economic development and the need to generate resources to address these issues. In cases of emerging CFs—particularly in developing countries—the programs have to demonstrate added and clear impact on the ground. This is a process conducted with many stakeholders, and it is greatly influenced by the conditions in each country. Although the activities listed in Table 2.1 are common areas covered by NGOs, it is the way that these priorities are determined and implemented that defines the difference between CFs and NGOs.

Most CFs have a specific geographic focus. CFs with large coverage include mechanisms to accommodate

Table 2.1. Examples of Community Development Foundations Activities

<i>Foundation</i>	<i>Example of Activities</i>
CFBB	Women's groups, rural and environmental, youth, disability, neighborhoods, culture, social areas, schools
Carpathian Foundation	Capacity building, cross-border cooperation, inter-ethnic program, rural development
Usti nad Labem	Environment, culture, education, social services, youth
KCDF	Capacity building
FDC	Children and youth, capacity building of NGOs and CBOs, HIV/AIDs
WARF	Capacity building, research
Oaxaca	Disaster management, education, youth, microregions, women
GBF	Youth, disability, security, homelessness, isolation
OCF	Education, disability, health promotion (particularly mental health), poverty
MCF	Arts, culture, economic vitality, education, natural resources and conservation, basic human needs
NHCF	Education, human services, arts and humanities, health, student aid

Table 2.2. Geographic Focus of Community Development Foundations

<i>City, County, District</i>	<i>State</i>	<i>National</i>	<i>Regional</i>
Banska Bystrica CFBB Usti nad Labem Greater Bristol GBF Oxfordshire OCF Oaxaca	Montana MCF New Hampshire NHCF	FDC Mozambique Kenya KCF	West Africa Rural Foundation—five countries WARF Carpathian Foundation—five countries

local concerns and to make sure that unique problems are addressed. The four geographic categories are city, state, nation, and region, and their respective case studies are indicated in Table 2.2.

Table 2.2 indicates three types of CFs: the first two columns (city, county, district, state) clearly define the geographic area; the third column consists of national funds, and the fourth column (regional) operates in five countries. The first two columns are fairly specific. In Montana and New Hampshire, where the populations covered are large, mechanisms have been put in place to address specific geographic areas. The New Hampshire Charitable Foundation has five community foundations while Montana Community Foundation has 46 community foundations. The two national CFs are struggling with the issue of local representation and are actively trying to take different regions into consideration through board representation and programs. For example, FDC Mozambique has staff members responsible for specific provinces and has activities in most provinces. Similarly, KCDF has tried to ensure a diverse management board and programs in all the provinces.

The third category of foundations is regional. These foundations do not regard themselves as community foundations although they have attempted to create mechanisms to address specific country issues. While the case for creation of these types of foundations is clear, regional foundations are much more difficult to manage and require large funds.

The national foundations similarly cover large areas and are struggling to create representative structures. In the two countries where the national foundations exist, the local situation needed development of one focal point around which the concept can be developed and then mechanisms for decentralizing will be devised later. After consolidation, FDC Mozambique is talking about the possibility of creating smaller com-

munity foundations throughout the country. Creation of smaller community foundations is the strategy adopted by the Montana Community Foundations, which has 46 small community foundations. Similarly, the New Hampshire Charitable Foundation has five regional community foundations. This regional compartmentalization was established to ensure that each area has an organization that adequately addresses their needs and promotes participation and local ownership. This also ensures targeting of groups and issues that may otherwise be lost or ignored.

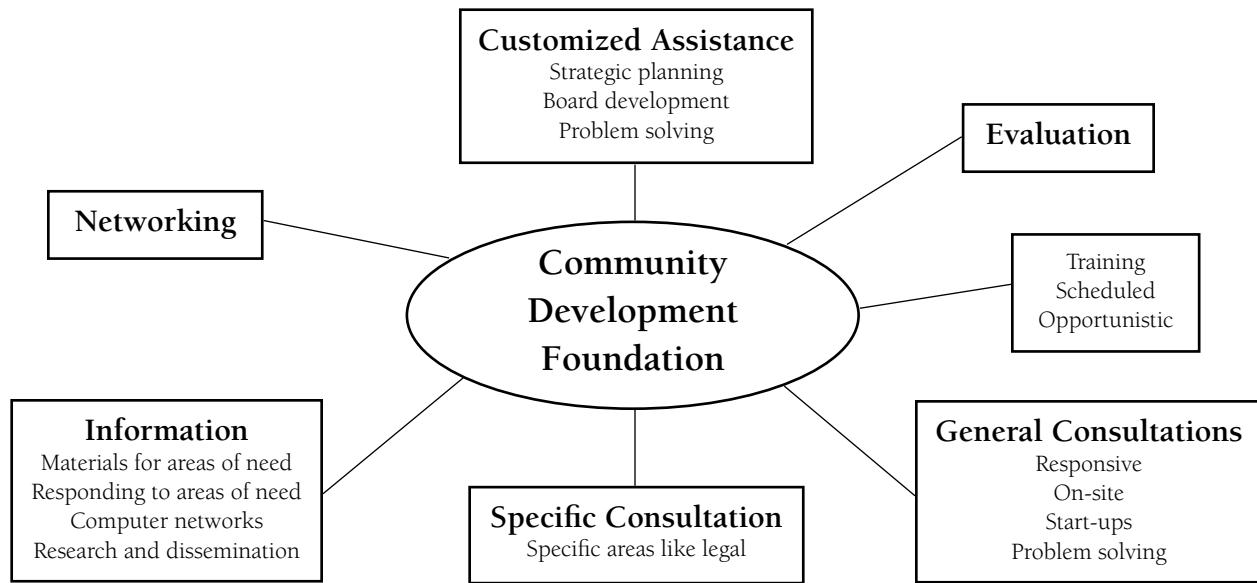
As stated in Chapter 2, the priorities of the program are noted in the mission statements, which were developed by the founders. The focus activities are selected through a consultative process and are designed to achieve specific kinds of impacts. This is accomplished by conducting strategic grant making that addresses identified gaps. This is a departure from traditional methods of identifying program priorities, which may not necessarily include local people in the decision-making process. Even when consultations are done, the donors end up funding areas of their own interest.

Technical assistance is an important part of the CF program. However, technical assistance requirements are identified by the local groups, and then CFs either directly provide this or purchase it from local institutions. Using multiple support strategies has enabled CFs to provide what local recipient institutions need—which sometimes extends beyond financial resources, as indicated in Figure 2.1.

Another important program focus is capacity building. Many CFs use the grant-making process as a tool for capacity building. In most cases, grant making is an open and inclusive process that uses a wide range of organizations.

The selection process includes field visits by staff and board members. The participation of board members

Figure 2.1. Technical Assistance Provided by Community Development Foundations



Source: Adapted from Agard, Monroe, and Sullivan. (1997: 8).

has provided opportunities for some to get more involved with local communities. This process builds the capacity of board members to participate in the grant-making exercise in a meaningful way.

Special efforts are in place to increase the transparency of the grant-making process. For example, some CFs publicly announce grant recipients in the daily papers and respond to unsuccessful applicants who are free to inquire about their rejection. This process also helps promote accountability and transparency.

Most of the cases in this report addressed the issue of sustainability of both organizational and project results with all partners. This is done in a number of ways: providing matching grants, providing institutional building funds, requiring a sustainability strategy, and diversifying funding sources. Others undergo an elaborate process of identifying local partners and the roles each would play to ensure the program's success and continuation. In each case, there are clear guidelines on how the project is to be implemented, by whom, and by when. It was hoped that this process and the efforts to raise local funds would ensure sustainability and reduce the level of dependence on donor agencies.

Issues related to sustainability include clear-cut monitoring and evaluation processes, as agreed upon by

the benefiting organizations. Other important mechanisms include clear accountability and transparency measures by the local organization to the CF, its partners, and its donors. The CFs hope that these measures will not only ensure a lasting impact but change grant-making practices, which are not always accountable and transparent.

Most foundations in this report funded a variety of programs according to identified local needs. However, all CFs funded some form of capacity building. Those funding capacity building exclusively include the West African Rural Foundation (WARF) and the Kenya Development Community Foundation. WARF has concentrated on strengthening African local organizations and promoting participatory methods of research and development for agriculture and natural resource management. These fields were identified as the primary problems affecting regional rural resource management (covering five West African countries). The Kenya Development Community Foundation is addressing the issue of capacity building of community-based organizations and their associations as a way to empower the civil society to more actively and fully participate in the development agenda. These were the issues identified as the major bottlenecks to community development efforts.

The nature of programs undertaken by CFs allow them to support both program development and delivery of their partners. This gives CFs an opportunity to be involved with the activities they fund at the local level. Their concentrated involvement with the organizations they support—and ones that they do not support—gives them a better understanding and familiarity with the sector. Such an awareness is not usually available to multilateral and bilateral donors who elect to fund programs at the local level. The long-term relationship between CFs and local organizations, even when funding ceases, provides opportunities to strengthen the sector as a whole.

Although all the CFs in this study support existing NGOs and CBOs, CFs also go out of their way to seek groups that may not necessarily be visible. These groups comprise a sector that has not benefited significantly from existing support, including financial support. In addition, CFs build their capacity and links with other donors and similar groups, thus exposing themselves to activities of other organizations. This inclusive process breaks barriers to small CBOs, which would not otherwise get access to funding and skill development, and removes a major barrier to participation by small local groups. CFs offer small organizations the capacity to relate to outside organizations and further define their

role in the development process. The programs of CFs support organizational and management capacity of NGOs and CBOs to facilitate local institution-building, which is central to poverty reduction efforts.

Financing and Resource Generation

Types of Funding

One of the most distinguishing characteristics of CFs is their resource generation mechanism. Unlike other civil society organizations, CFs generate three types of funds, which include their own operating funds, funds for grant making, and endowments. Typically, grant making for the civil society sector has been done by international organizations, not local intermediaries like CFs. Even in Eastern and Central Europe, where the civil society sector is emerging, most of the funding is from international donors, while country governments and national foundations play a small part. Although fundraising for operating funds is common practice for the NGO sector, local endowment fund-raising is not. The case is different, however, for most CFs, who regard raising endowment funds as central to their objective of financial sustainability for themselves and for the orga-

Box 2.3. Examples of the Grant-Making Process as a Tool for Capacity Building

The Greater Bristol Foundation has worked with local institutions to identify groups that need support (but are not readily visible to other donors) to help them in all stages of proposal development. This foundation visits local organizations to educate both their board and other interested donors. These site visits help to build significant commitment to the foundation. Many of the board members (particularly from the private sector) get first-hand experience of some of the situations on the ground and have used this to recruit others to the work for the foundation. The foundation also organizes other meetings of donors and grantees to further expose them and share the activities of the foundation.

The Oxfordshire Community Foundation, which targets the poor and marginalized groups in its county, developed simple application guidelines and went out of its way to find these groups. Although it had exit strate-

gies, the foundation provided whatever technical support the groups required and was careful not to foster dependency.

The Kenya Community Development Foundation uses a long process of identifying partners and went through multiple stages to finally select a group of grantees to recommend to the board. The program was announced in the local dailies and both NGOs and CBOs were asked to recommend groups that they thought could benefit from a KCDF grant. A number of groups were short-listed and the first workshop was planned. This workshop had wide participation, but it was clear that not all the groups in attendance would receive grants. After this workshop, those qualifying were alerted, while groups not getting the grant were told why they did not qualify. All groups were visited and a thorough assessment completed before they were recommended to the board for consideration.

nizations they support. Availability of local flexible funds would also allow CFs to fund genuine community concerns. Establishment of an organization that raises all three types of funds presents new sets of challenges, as indicated later in this chapter.

Sources of Funds

A number of sources of funds were identified by the case studies. These include foreign funds, funds from the private sector (mainly businesses), funds from the public sector (local government), and funds from individuals. The ability of CFs to access funding from all these sources is innovative and has brought new funding not previously available to the civil society sector. Sources of funds have been greatly influenced by the historical development of the various CFs, their size, and the nature of the civil society sector in specific countries. For example, most CFs focusing on city, county, or district started fairly small, using domestic and local funds (the exceptions are Oaxaca and Utungulu, which began with both domestic and international resources). The national and regional foundations, covering large areas, also require large amounts of funds that they previously obtained from international sources, although there are now efforts to raise local funds. Both the United States and the United Kingdom community foundations receive most

of their funding from local sources, as indicated in the case studies.

Foreign Funding

Except for FDC Mozambique, which had raised some seed funding, all other national CFs and regional foundations covered in this report began with significant international funding, mainly from large private foundations. This is due largely to the costly scope of their activities. For example, a number of CFs began with international rather than domestic funding. Such is the case for the Carpathian Foundation, which obtained its operating funds from the C.S. Mott Foundation. KCDF and WARF also had funding from several donors, including the Ford Foundation. It is important to point out that the transition from international to domestic funding is difficult because of the changes in attitude and perceived role required of companies and individuals in community development. Foundations that operate in a number of countries have an even greater challenge of getting funding from the individual countries because the tradition of giving funds to be used in a number of countries does not exist, and at times there are existing conflicts between these countries.

In the United Kingdom, only three foundations received some matching funds for endowment from foreign sources. All other CFs, 24 total, obtained their

Box 2.4. Examples of Diversified Sources of Funding

The most common types of funding mechanisms for CFs in Africa, Eastern Europe, and Mexico are funds from international philanthropic foundations. The second most common type of funding is donations from the business community or private sector. This was the case for 10 of the 12 case studies, but the remaining two were developing strategies to obtain funding from the private sector. Private companies are a very important source of funding for CFs in the United Kingdom, with some organizations receiving more than 60 percent of their funding from local private companies. Only WARF earned some income from their services; they were contracted by a number of organizations including the World Bank and UNDP. Only CFBB had significant funding from the local government because of its history (it developed from a local govern-

ment project—the Healthy Cities Project). Similarly, only KCDF had the board members contribute to starting their endowment fund. Unlike all the other cases, New Hampshire received most of their funding from private citizens. It is also worth noting that most CF funding in the United States comes from individuals, while companies and other businesses play a key role in the United Kingdom. The trend thus far seems to indicate that the role played by individuals and the private sectors will increase in importance in Eastern Europe and, hopefully, in Africa. The OCF obtained significant funds from the business sector. Given the active role of the private sector in Latin America, this is going to be a significant source of funding for CFs. In fact, the private sector is already a source of community development funds for other civil society organizations.

funding for grant making and operations from local sources. The two CFs in Eastern Europe also received foreign funding but raised most of their grant-making resources locally.

Private Sector Funding

Historically, the private sector has not been a key player in funding community development in most countries. Yet all CFs have targeted funding from the private sector and are thus attempting to bring in new funding not previously accessible to the civil society sector. Support from the private sector varies, based on a number of factors. In the United Kingdom, most CFs receive over 60 percent of their funding for operations, grant making and endowments from this source, while the Oaxaca Community Foundation obtained approximately 40 percent. In Mexico and other Latin American countries, the private sector is a significant source of funding for different types of foundations involved in community development. In a number of cases, the foundations are started by businesspeople seeking to support local development initiatives.

There are encouraging trends in this sector in Eastern Europe as well, where the two community foundations studied raised most of their operating funds from local businesses. Most of these businesses were not necessarily large, but each had a stake in the development of the two cities involved. Banska Bystrica has particularly benefited from local businesses who have supported different activities, in addition to providing funding. However, private sector funding in Eastern Europe faces significant challenges due to the sector's short history in the region. In South Africa, only Mozambique and Utungulu received funding from local companies. Both KCDF and WARF have strategies to involve local and international companies, but these are time consuming due to the private sector's historical lack of involvement with local community development efforts. Historically, community development has been the responsibility of the public sector. Many companies have not played a significant role, except for short-term activities like sports, or natural disasters such as earthquakes. However, this situation is changing due to the governments' inability to provide the necessary services, and to the need for companies to be socially responsible in

their areas of operations. In spite of this, considerable education is required for companies to get involved and for the NGO sector to engage the private sector in a way that mutually benefits both groups.

The Montana Community Foundation has benefited from funding from several companies. The MCF played a significant role in creating an enabling environment for the private sector to participate by sponsoring a dialogue on tax credit that was later passed. The New Hampshire Charitable Foundation has worked with the private sector as well but to a lesser extent.

Public Sector Funding

Another important link that is being made by CFs is the involvement of local governments. This manifests itself in a variety of ways. Of the CFs, only the CFBB has received funds for endowment and operations from the Municipal Council. In two cases, the funding has been given to initiatives that involved local governments. For example, the Carpathian Foundation funded capacity-building initiatives for local authorities in five countries where they work. While these efforts have helped build the capacity of local authorities, they also strengthened relationships and partnerships between local authorities and the civil society sector (examples include funding or organizing meetings where the two groups can better understand each other and agree on development priorities and training). The OCF is also funding projects that strengthen alliances with local authorities. While local authorities are important partners for CFs, many CFs were hesitant to get funding from local government for various reasons despite other partnerships in program areas.

Individual Contributions

Individual contributions to CFs are a major source of funding in the United States, where a tradition of philanthropy exists, coupled with an enabling environment and clear-cut tax benefits to supporters of CFs and other charitable organizations. Both the NHCF and the MCF have benefited significantly from this source, with more than 90 percent of New Hampshire's funding coming from individuals. In Montana, a relatively poor state,

individuals of all economic strata have given to the local community foundation.

Except for CFs in the United States and Mexico, all the other countries have benefited very little from individual contributions for various reasons. For example, the individual philanthropic tradition found in the United States is expressed in different forms than in other countries. Moreover, the tradition of funding the nonprofit sector by private individuals is less common in these other countries. It is important to point out that, in Mexico, only rich businesspeople provide funding for the creation of foundations. This differs from the United States, where contributions come from people of wealth who may not necessarily be in business. Further, U.S. contributors support community foundations, unlike

in Mexico, where individual businesspeople support the creation of larger foundations covering sectors like health or rural development.

CFs rely on a wide range of strategies to mobilize financial resources, including earned income. In general, the CFs tend to use several types of funding mechanisms at the same time, as indicated in Table 2.3. The funding mechanisms used by CFs include grants from international philanthropic foundations; donations from the business community, local government, individuals; and earned income from products and services (a rare source).

Except in one case, all CFs in this study were funded by multiple partners. While most of the funding agencies traditionally supported the sector, funding by

Table 2.3. Diversified Funding Base

<i>Community foundation</i>	<i>Donor partners</i>	<i>Source of endowment</i>
CFBB (1994)	Local authority, C.S. Mott Foundation, Rockefeller Brothers Fund, Open Society, EU, Charities Aid Foundation, private sector, individuals	Local authority, international foundations, individuals
Carpathian (1995)	C.S. Mott Foundation	None
Usti nad Labem (1998)	C.S. Mott Foundation, private sector, National Foundation	Businessperson
KCDF (1997)	Ford and Aga Khan Foundations, Management Board	Started by management board and now has Ford Foundation Challenge Grant
FDC—Mozambique	MacArthur Foundation, private sector companies	
Uthungulu	Ford Foundation, Billiton Development Trust	
WARF (1993)	Ford Foundation, IDRC, contracts	Ford Foundation Challenge Grant
OCF (1995)	Private sector, IYF, Ford, McArthur, and Kellogg Foundations, CEMEFI	Private sector, international foundations
Oxfordshire (1995)	Private sector, individuals	Private sector
Great Bristol (1987)	Private sector, individuals, C.S.Mott Foundation (one-time endowment challenge grant)	Private sector, individuals, C.S. Mott Foundation (one-time endowment challenge grant)
Montana	Individuals, Northwest Area, Macnight, Ford, C.S. Mott, and Turner Foundations, Steele Reese, private sector	Individuals, private sector
New Hampshire (1962)	Individuals (most of the funding), private sector (minimal)	Individuals

the private sector either does not exist or is limited. In some examples, the private sector has played and continues to play a significant role in raising local funds for operations, and to a limited extent, endowment. In the case of Usti nad Labem, its sole asset comes from the private sector (in the form of a building given to the Foundation by a private business person). Except for the United Kingdom, the funds are small but provide a good start, given the total lack of involvement by the private sector in some countries. It is also worth noting that the private sector has not played a significant role in most U.S. community foundations. This again shows the flexibility of the model and its ability to adjust to local realities.

Endowments

Building endowments for the civil society sector in developing countries and other contexts where new CFs are emerging is a new phenomenon. (This is, however, an established tradition in the United States and Canada, among others, where the tradition has existed for a number of years.) This trend is slowly changing because the funding for the civil society sector is shifting, which requires finding more sustainable funding mechanisms. This is evident from all the case studies in this report where specific attention has been given to raising endowment funds (most CFs started without any endowment funds). In the United Kingdom, endowments for the 22 community foundations established by March 1998 totaled 65 million pounds, from 35 million pounds in 1997.

Many U.S. community foundations start with endowment funds, while others have to raise their endowment funds locally after they are formed. There are, however, two examples of long established well-endowed community foundations in the United States that generally do not need to raise extra funds for both grant making and operations. Both cases began with minimal endowment funds. The New Hampshire Charitable Foundation, in existence for over 30 years, has raised significant endowment funds. The interest from investment of these funds is used for both operations and grant making. Montana, a much poorer state, has done an admirable job of raising endowments. In Montana, such a concept is new. Moreover, the state is one of the few in the

United States that lacks a supporting tax environment. The Foundation played a significant role in passing a tax credit bill and getting both companies and individuals to give to the Foundation and other charitable organizations in the state.

Experience from developed CFs, particularly in the United States, indicate that endowments constitute the heart of a community foundation. Whether they consist of restricted or unrestricted funds, an endowment offers many advantages to a community foundation. An endowment attracts donors who want their gifts to operate in perpetuity, and it ensures a flow of money for grant making, even during years when annual gifts decrease. The predictability of endowment income enables a board to plan its grant-making program with some degree of certainty for the next few years, and thus can make long-term grants for long-range projects. Endowments give the community foundation real financial stability, which can enable it to function successfully during times when other local institutions are experiencing stress (Council on Foundations 1992: 18).

For many CFs, endowments from gifts come largely in the form of bequests. While this remains the case with many CFs, others have sought more aggressive approaches. The tax law changes of 1969 stimulated giving by living donors offering larger tax deductions for contributions to CFs. These tax laws also put additional pressure on community foundations to raise funds to meet the public support test. A few fortunate community foundations have received large endowments of unrestricted funds but most CFs today depend on an endowment income, annual campaign gifts, and assorted fees for services. Many also depend on an endowment consisting of both restricted and unrestricted funds (Council on Foundations 1992: 19).

Except for the United Kingdom, most of the emerging CFs were not started with significant endowments. Some still struggle to get started, as indicated in Table 2.4.

Although Table 2.4 does not indicate large endowment funds, the figures are significant given the recent history of most of these foundations. This is particularly true given the fact that the emerging foundations have to raise funds for grant making at the same time. Similarly, most CFs are not well known, and the impact

of their programs is just beginning to be evident. Stronger local CFs coupled with better awareness of the impor-

tance of endowments are bound to raise more funds in the future.

Table 2.4. Endowments and Their Sources

<i>Foundation</i>	<i>Endowment</i>	<i>Source</i>
HCCF (Banska Bystrica)	8 million koruna = \$240,000	Local government, C.S. Mott Foundation, Rockefeller Brothers Fund, individuals
Carpathian Foundation	None	
Usti nad Labem	10 million koruna = \$312,000	Private sector
KCDF	3.6 Kenyan shillings (\$50,000) and challenge grant \$650,000 from the Ford Foundation	Started by management board and challenge grant from the Ford Foundation
FDC—Mozambique	\$5 million	Debt swap, private companies, individuals
Uthungulu—S. Africa	5.5 million South African rand	
WARF	Challenge grant \$2.2 million from the Ford Foundation	Ford Foundation
Oaxaca	\$100,000	International private foundations, Mexican businesspeople
GBF	1 million British pounds	Private sector, individuals, C.S. Mott Foundation (one-time endowment challenge grant)
OCF	50,000 pounds	Private sector
MCF	\$23 million with unrestricted \$3.7million	Individuals, private sector
NHCF	\$200 million	Individuals , private sector (minimal)

Part II

3. Partnerships and Community Development Foundations

Partnerships at the Development Stage

Emerging community development foundations in their various forms are characterized by partnerships at all levels. This is due the fact that CFs need partnerships to facilitate the implementation of programs and to raise the necessary funds. Further, their mission to address complex poverty issues underscores the need to find ways to link with others. Multiorganization and multi-sector alliances are necessary to significantly impact poverty; all stakeholders have a distinct role to play in the process.

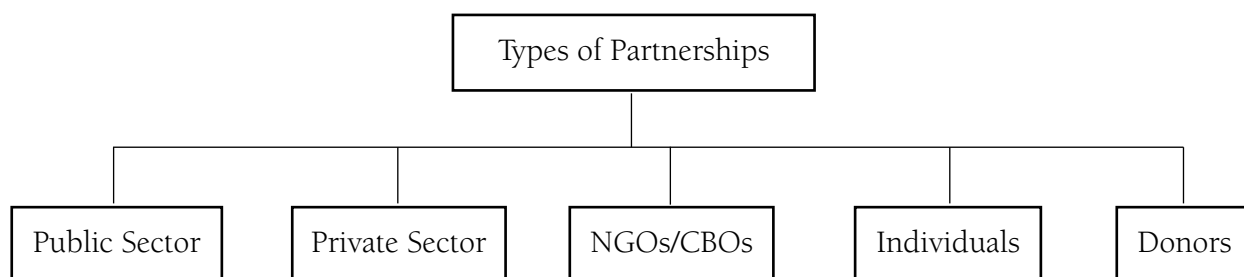
Local founders of CFs establish a number of relationships and partnerships to get the process started, as indicated in Box 3.1. In all 12 case studies, the decision to start a local foundation was reached after extensive discussions and, in some cases, consultations with NGOs, CBOs, and individuals involved in community development. In a few cases, CFs consulted with donors in similar fields in order to seek their support and encourage their participation in developing the foundation. The importance given to partnerships in the whole process of developing and implementing the activities of CFs is a departure from past efforts, when organizations were usually formed by an individual or group that did not depend on partnerships to implement their

programs. Such organizations were not accountable to partners in the same way that CFs are accountable as indicated by the procedures developed by CFs for their partners at all levels, including communities. Mechanisms to ensure partnerships at all levels were put in place by all CFs. The three main areas identified for partnership by CFs are the public, private, and social sectors, as indicated in Figure 3.2. The extent to which these sectors are involved varies in each country and is dictated by local conditions present as the foundation comes to fruition. Partnerships have also been influenced by the level of development of the CF. More established CFs claim an increasing number of partners. It is, however, important to point out that the time commitment involved in forging partnerships and the effort required to maintain them is considerable. Further, working in trisectoral partnerships is a new style of development and therefore faces many challenges.

Bringing in the Private Sector

Partnership with the business sector in community development is a new approach in most countries. Community foundations have realized the important role that this sector can play in their efforts to both mobilize funds

Figure 3.1. Types of Partnerships



Box 3.1. Examples of Partnerships

Prior to the formation of Health City Community Foundation, Banska Bystrica (HCCF), meetings were held with different stakeholders to agree on the necessity of forming new organizations, and what form these organizations would take. The decision to form a local foundation was reached after extensive negotiations with different stakeholders.

KCDF was created because several donors felt that the poverty reduction efforts in place had little impact. The Ford Foundation, which has invested heavily in reducing poverty, started a dialogue with different stakeholders on what should be done in order to have the desired impact. Ford consulted with over 200 groups, including CBOs; the end result of this consultation was the decision to form a local donor-like organization to build the capacity of CBOs and other intermediaries working with them. It also became clear that the current lack of a sustainable financial base for NGOs had a decreased impact on poverty because their programs were project-based, while poverty reduction requires a multifaceted approach. After many discussions and consultations, the community development foundation model was chosen. The idea to form the Kenya Community Development Foundation was also shared with different donors involved with the community development project. After looking at the documents developed

by the advisory board, the Aga Khan Foundation felt that the proposed foundation would address some of the local development issues they had been struggling with. After lengthy discussions with the advisory board and the Ford Foundation, an agreement was signed between the three parties, and the foundation was started. In addition to contributions from the Ford and AKF Foundations, each board member of KCDF made a financial contribution to the foundation.

The Usti nad Labem Foundation sought to involve the public and private sectors and community leaders in their project of providing services to the mentally ill. They issued an open-ended invitation to groups involved in the service provision for this sector. After discussing the idea, a number of people found it compelling and formed a small group, which became the Regional Fund. The foundation only came into being after five years, when a need to expand the activities to other sectors became clear. Meanwhile, the Regional Fund involved a large number of partners who together decided that they needed to expand their activities. While they were debating the form the organization should take, they were exposed to the CF model, which seemed to address partnerships and long-term development, issues central to the group. At that point, the group decided to adopt the relevant aspects of the CF model.

for community development and to provide skills needed to manage CF funds. Businesspeople are also involved as CF board members, and are regarded as assets by the foundations for their skills (especially in fund management) and connections with the business sector. Further, involvement in CF boards also exposes prominent businesspeople to local community needs. While some CFs have received direct funding for operations, a few actually obtained initial start-up funds from private companies. For example, some of the initial funding for the Greater Bristol Foundation came from a local company that had been involved in funding the voluntary sector for a number of years. Similarly, when this same CF had to raise funds to match their endowment challenge grant from the C.S. Mott Foundation, they relied heavily on private sector donations, particularly those of private companies. A significant amount of funding for the Oxfordshire Community Foundation came from a local brewer (Morland PLC), who had been involved in community development for many years

and continues to support the sector through the Oxfordshire Community Foundation (OCF). Two CFs in Eastern Europe have received private sector support in various ways. In Banska Bystrica, both small and large businesses supported local organizations with both cash and in-kind donations. For example, community group activities and meetings were funded through their support. The Usti nad Labem Community Foundation cites linking the nonprofit and private sectors as one of its objectives. The private sector was involved in that CF from the onset; the sole asset the foundation possesses was contributed by a businessperson. In spite of this support, it is worth noting that this sector's potential is underutilized for various reasons, including lack of partnership experience with community development organizations. In Eastern Europe, the private sector has a short history and is less developed. Yet small businesses seem to be more supportive of community development, particularly in the form of CFs with small regional coverage.

In South Africa, two CFs benefited significantly from private sector funding, while the CFs in both East and West Africa are struggling to get private sector funding. In Mozambique, for example, a few local and international companies have provided funding for the FDC for both grant making and endowment. In South Africa, the Zululand Chamber of Commerce has significantly supported the start of the Uthungulu Community Foundation while the Billiton Development Trust has pledged one million rand per year for the next five years as endowment. Similar efforts are underway in other emerging CFs in various parts of South Africa.

Both KCDF and WARF will have a harder time raising funds from the private sector because the tradition of giving funds to the NGO sector hardly exists, and most of these companies have paid little attention to community development issues. Educating them as to their role and the benefit they will gain by supporting community development is a major task for these two foundations. KCDF has embarked on this process by organizing meetings with the private sector with some World Bank funds to facilitate these meetings. Both KCDF and WARF have board members from the private sector and have developed strategies to involve the sector. While this task may seem daunting, the potential exists and some businesses have shown interest by supporting visible activities like sports events or natural disaster fund drives. It is hoped that some of this support can be channeled into poverty reduction efforts, which should ultimately benefit the private sector.

In Latin America, the situation is different because the private sector has been involved in funding the social sector for many years. In fact, many private companies have formed their own foundations, which is evident in Mexico and other Latin American countries such as Brazil and Colombia. In Mexico, there are several large foundations that deal with health and rural development. These were formed by private businesses interested in addressing these issues. While some foundations use their funding for development, the big national foundations have sought support from the government, and a few have benefited from debt swaps. The few CFs that exist in Mexico have received financial support from the private sector. For example, the Oaxaca Community Foundation receives 40 percent of its funding from this sector. This is expected to increase over

time. The CF has also received furniture and services from private individuals who are committed to the mission of CFs. While the private sector plays an important role in development, in some cases, the corporate sector initiatives fail to include local communities in their community development efforts and only address issues that concern corporations. Experience has shown that such practice could easily lead to a pursuit of corporate agendas at the expense of the legitimate needs of the surrounding communities.

Partnership with the Public Sector

There are three distinct types of partnerships with the public sector. These include creating a legal framework, participating in management boards, and capacity building.

Providing a Legal Framework

Different levels of public sector ministries have been responsible for creating space for the formation of community foundations. In most developing countries and transitional economies, the notion of the CF does not exist; therefore government support in the formation of CFs is required. This was the case in Mozambique, where, in partnership with the FDC, a bill to form the CF was drafted and passed. Since then, the CF has required other forms of support, especially in investing their endowment outside the country and in operating a foreign account. The CF has also worked with policy makers to change the working environment of NGOs in the country.

In both New Hampshire and Montana, the community foundations organized policy dialogues that inspired changes in the sector. For example, MCF organized a dialogue on a tax bill with the support of the public sector. Although this bill did not get passed initially, when passed, it brought in increased funding to the nonprofit sector.

In the Slovak Republic, where the previous government was not supportive of the civil society sector, the 1997 law on foundations had a negative impact. On the surface, this may appear to be a simple issue; however, close examination indicates that the requirements restricting the activities of foundations are detrimental.

This law allows the Ministry of Interior to question the activities, policies, and budgets of foundations. The law also placed restrictions on endowments to the extent that many foundations were discouraged from building them. This problem is further complicated by the fact that much of the banking system is controlled by the state, which impacts the effectiveness of the sector. While the new government is much more positive towards the sector, it is not clear whether positive changes to the law will be made.

Participation in Management Boards or Boards of Trustees

Participation in management boards or boards of trustees is a common way for CFs to partner with the public sector. In Mozambique, certain members of the board serve in the government, but many were elected to the board first and only became public officials later. The Health City Community Foundation of Banska Bystrica (CFBB) has two local authority board member representatives. The CF originated from a local government project serving the city; thus government representatives were present as the CF came to fruition. Another example of a local authority participating in a CF board is the Oxfordshire Community Foundation, which serves the county and the city.

Capacity Building or Facilitating Partnership with Local Authorities

A third type of partnership with the public sector exists through capacity building of local authorities by the CFs. This was the case in both the Carpathian Foundation and the Oaxaca Community Foundation. The Carpathian Foundation has funded capacity building for local authorities in the region, while the Oaxaca Community Foundation has funded trisector alliances to encourage partnership between NGOs, local authorities, and the private sector.

Partnership with Civil Society Organizations and Individuals

All CFs facilitate and encourage partnerships with NGOs, CBOs, and individuals at all levels. All emerging CFs

have indicated that they exist to strengthen the civil society sector, which includes local small groups that may not have received previous support. This sector also includes stakeholders from church and youth groups. CFs have gone so far as to offer support to groups that were not registered, thus widening the parameters of funding and technical assistance support beneficiaries.

Partnership with Nongovernmental Organizations

Partnerships with NGOs exists at various levels. For example, almost all the case studies done on emerging CFs in developing countries and Eastern Europe reveal that NGO leaders have founded the CFs. They used their skills and social capital to initiate the process locally and internationally. This effort is unique because NGO leaders traditionally commit little energy and support to form other nonprofit institutions that may be compelled to compete for the same funds. Involvement with CFs, however, extends beyond formation to participation in the management boards and programs through various committees.

Weaker NGOs are the primary beneficiaries of grants for institutional and financial capacity building. This was one of the common activities of all CFs. CFs also support the network activities of NGOs and have played a significant role in giving the sector a voice. Some CFs, like the Oaxaca Community Foundation, gave visibility to NGO activities as part of its mandate. CFs also utilize the expertise of NGOs extensively to determine project priorities and to implement their programs.

Partnership with Community-Based Organizations

Partnerships with local community-based organizations existed in all the cases covered in this report. In most cases, CBOs were seen as the weakest sector of civil society; thus extensive efforts by CFs goes into supporting the sector directly or indirectly. Some CFs actually targeted this sector. The FDC Mozambique stated that CBOs are its most important partners because they furnish the CF with information and experiences that allow formulation of strategies. The belief that these organizations should be instrumental in shaping the community development agenda was shared by all emerging CFs, and these CFs went to great lengths to ensure that CBOs of all types and sizes participated in

their activities. CFs also provided technical assistance to groups and helped them to write proposals and participate in policy dialogues. For example, WARF has concentrated on strengthening African local organizations and promoting participatory methods of research and development for agriculture and natural resource management; this was identified as one of the main problems affecting regional rural resource management. Similarly, KCDF is building capacity for associations of CBOs who, in turn, should strengthen their members. KCDF is also funding a number of NGOs to build CBO capacity and provide whatever expertise is needed. CFs are also increasingly providing organizational development and management assistance as a direct means of enhancing the capacity of communities to undertake their own development.

Partnership with Individuals

Partnership with individuals is another innovative way CFs are supporting community development activities in their countries. Partnership with individuals occurs through contribution of funds and volunteerism. Individuals also use their social capital to inspire others to contribute to CFs in one form or another. In the United States, private citizens are the major source of funding for most community foundations. For example, the New Hampshire Charitable Foundation and the Montana Community Foundation have benefited significantly from individuals who are concerned with local conditions in these states. They provide funding and time to support the activities of the foundations. These funds come as named funds or funds for general operations. Some funds are given anonymously to help deal with particular societal problems (for example, an anonymous donor gave \$9 million to NHCF to facilitate a drug rehabilitation program). In the United States, individuals and companies get tax breaks for donating to the nonprofit sector, unlike other countries where there are no incentives to make donations to the nonprofit sector.

Other CFs that received financial support from individuals include both CFs in the United Kingdom, Ustnad Labem, BBCF, Mozambique, Oaxaca, and KCDF (board only). Funding from individuals in developing countries and Eastern Europe is limited because individual donations are not common practice. While people give funds and their time for development efforts, they are much more hesitant to give to an organization to distribute. In spite of these limitations all foundations were making efforts to reach different categories of people to support community development. Some, like the Montana Community Foundation, encouraged both rich and poor to get involved and to contribute to development in any way they can.

An important element of partnership not reflected in this discussion is the amount of volunteer time given to foundation activities, including time by the board members and others serving on committees that are formed as the need arises. Many of these volunteers use their social capital to recruit support for the CF. This can be a powerful tool in Africa, Latin America, and Asia where social networks are very important. Some individuals and companies give noncash donations, which include the free use of meeting halls for communities, the publishing of CF materials, office space, and so forth. Many projects supported by CFs are run by volunteer staff, often with very little funding.

Partnerships with and among Donor Agencies

A number of large foundations form partnerships in support of CFs, as indicated in Table 3.1.

In conclusion, it is important to note that by their very nature, CFs cannot exist without partnerships. However, partnerships do not come easily since most groups are accustomed to working on their own. These partnerships are often difficult for CFs to manage because they are required to respond to partners with differing expectations and reporting requirements.

Table 3.1. Examples of Donor Partnerships

<i>Community foundation</i>	<i>Donor partners</i>
CFBB	Local authority, C.S. Mott Foundation, Rockefeller Brothers Fund, Open Society, European Union, Charities Aid Foundation, private sector, individuals
Usti nad Labem	C.S. Mott Foundation, private sector, National Foundation
KCDF	Ford and Aga Khan Foundations, Management Board
WARF	Ford Foundation, IDRC, contracts
Oaxaca Community Foundation	Private sector, IYF, Ford and MacArthur Foundations, CEMEFI
OCF	Private sector, individuals
GBF	Private sector, individuals, C.S. Mott Foundation (one-time endowment challenge grant)
NHCF	Individuals (most of the funding), private sector (minimal)
MCF	Individuals, private sector, C.S. Mott, Ford, North West, Steel Reese, and Turner Foundations
FDC—Mozambique	Private sector, MacArthur and Ford Foundations, individuals
Uthungulu—South Africa	Ford and Zululand Chamber of Commerce Foundations, Billiton Development Trust

4. Comparative Advantages and Challenges of Community Development Foundations

Advantages of Community Development Foundations

This section briefly highlights the comparative advantages of CFs, as discussed in the previous discussions. These attributes are obvious at various stages of development and many are evident in fully established community foundations.

Targeting and Broadening Participation by Civil Society and Donors

Most emerging CFs have been effective in creating mechanisms that target specific groups or isolated areas. CFs essentially try to fill existing gaps in community development by targeting these often neglected areas and issues.

CF commitment to the capacity building of NGOs, CBOs, and other weak community groups enables CFs to broaden the base of civil society participation in community development and to strengthen networks and partnerships by utilizing existing capacity.

At the donor level, CFs include stakeholders not traditionally regarded as donors. These include local communities and their organizations, the private sector, and individuals interested in the development of their own communities. Involvement of all these stakeholders increases the sustainability of development.

Mobilizing Resources

CFs have drawn financial contributions for existing and future community development from a range of donors, including the private and public sectors and individuals. The ability to mobilize financial capital for CFs is unique, and it enables CFs to have a considerable effect

in both stimulating new financing and in connecting financial resources to the community level where they can have the greatest impact. Established CFs have also been instrumental in creating opportunities for NGOs to establish their endowments with the CFs; such action will hopefully bring stability for the NGO sector in the future. This was done in the Montana Community Foundation, where nonprofit organizations have their endowments with the CF. The CF, in turn, invests the endowments and gives the accruing benefits to the nonprofit organizations. This is a service nonprofit organizations would not be able to access due to their small size. Some emerging CFs plan to provide similar services to NGOs and CBOs, but this is a long process that requires education and trust building.

In particular, CFs can:

- *Provide seed resources* for the growth of civil society organizations (particularly small organizations).
- *Leverage diverse sources of financing* for the projects and programs of civil society organizations and thus generate opportunities for resource growth through mobilizing new, innovative, or alternative resources for community development. CFs also provide opportunities for utilizing social capital for community development.
- *Channel foreign aid to civil society* and monitor the development process for long periods of time, which could lead to sustainability.
- *Create opportunities for donors* to become locally involved.

The nature and source of funding makes CFs unique in that they have a long-term perspective to development, and they allow for different players to be involved in an ongoing process. It is through viable endowments—one of the most critical issues in

sustainability—that the long-term availability of development funds is ensured.

Local Grant Maker

The role of local grant maker is one where a local grant-making institution supports a broad range of activities and creatively addresses emerging and changing community needs. The grant maker's long-term involvement with these communities gives them the understanding and knowledge to more effectively monitor and support community activities. Knowledge of communities also enables CFs to efficiently identify activities and groups that merit support, and what is needed to help these groups use that support. In addition, the CF monitors the risks that such groups are likely to encounter.

Flexible Instrument for Community Development

At the community level, CF structure allows communities and organizations to maintain their independence by pursuing their own development agendas at their own pace. Thus, strength and building capacity are preserved and utilized for greater participation in development. This flexibility has been one of the key attributes of the CF concept because countries are able to apply different aspects of the concept to local development realities. Another important characteristic linked to flexibility is avoiding the duplication of efforts by harnessing existing capacity within the community in order to strengthen it.

Involvement of the Private Sector

CFs give the corporate sector a much-needed vehicle for effectively addressing their social objectives and for providing an intermediary between the community and the business sector. In all 12 case studies, there were strategies to involve the business sector in the development and management of CFs.

Development of Philanthropy

In the United States, and Canada (where the concept is fully developed), CFs provide a central philanthropic vehicle for donors of various sizes to meet their individual charitable interests. While philanthropy exists in

other contexts, it is expressed in different ways, and resources from this sector are not traditionally given to systematic long-term development. People donate for immediate needs and hardly think about the sustainability of their efforts. Emerging CFs can harness indigenous and local forms of philanthropy to benefit local communities and enhance development. The legal status of CFs in some countries also offers a highly flexible mechanism to accept charitable contributions from public, corporate, private, or foundation sources. Individual donors find CFs to be advantageous and accommodating regarding their charitable interests. CFs are an untapped resource that can benefit communities in many developing countries.

Promoting Partnerships

CFs connect people, institutions, and donors. The whole concept is based on partnerships of all different types and forms. This diversity is particularly important when addressing poverty, which is too complex and multifaceted to be resolved by one organization.

Acting as an Interface for Public Policy Dialogue

CFs play the interface role between civil society and the government and business sectors. The NHCF and the MCF brought together people and provided resources to address policy issues. WARF also mediates between the government and local farmers' associations to make the necessary changes in agricultural development. The role of CFs as convenors is likely to play a significant role in policy dialogues as the emerging CFs mature.

Common Challenges to Community Development Foundations

CFs face a number of challenges, which are briefly highlighted in this section.

New Concept Advocates Mechanisms that May Be Unfamiliar to their Constituents

As clearly indicated, CFs are a new and unfamiliar mechanism at both local and donor levels. For example, creating a formal legal organization that both mobilizes

funds and operates programs is unusual; traditionally, mobilizing funds and making grants to the civil society sector is not done by local institutions.

Creation of CFs Is a Long Process

As indicated previously, establishing CFs is a long process, and most donors are unwilling to wait for the process to take hold. The time it takes to fully establish CFs in the United States, where an enabling environment exists, is approximately 10 years. Similar time spans exist in emerging CFs. For example, most emerging CFs took more than two years of negotiation and discussion to take shape. At the two-year point, some CFs were started as pilots and others as projects of other bigger foundations.

This concept is also new to most stakeholders, including the government, private, and social sectors. This is compounded by a lack of information on how CFs are formed and run, particularly in a developing country context. This trend is slowly changing, however, with the creation of a number of initiatives that facilitate information gathering, sharing, and exchange. Some donors have also organized field visits and workshops to accelerate the agenda but these efforts are not commensurate with the rapid growth of CFs and do not usually reach public and private sectors.

Generating Multiple-Purpose Funds

One of the biggest challenges for emerging CFs is to “generate sufficient resources for current . . . operations and future sustainability, while maintaining institutional autonomy” (Zwick, Ashman, and Brown 1997: 21). “This calls for bridging very different environments, usually comprised of the elite who control large pools of resources and the grant-making environs populated by NGOs and CBOs who possess limited resources and management skills” (Zwick, Ashman, and D. Brown 1997: 6). The skills to deal with these issues are different in each country and will require time to develop.

Lack of Support for Endowment-Building Efforts

Building endowments is another critical problem facing emerging CFs. This is because, traditionally, most donors do not give funds to build endowments, although

they are willing to provide funds for specific projects. While myriad reasons for not supporting endowments exist, lack of trust is the fundamental obstacle. This lack of trust is due mainly to inadequate accountability and transparency, which characterizes the NGO sector. The sector also lacks experience in profit-making ventures like investment—a problem compounded by the unfavorable investment climate in some of these countries. Further, mechanisms for giving endowment funds do not exist in most organizations and are actually discouraged in some.

Also, it is difficult to raise endowment funds from local sources due to the lack of incentives for philanthropic giving; unfavorable regulatory framework; unreliable investment climate; and rapid inflation.

Lack of Fund-Raising and Grant-Making Experience

Fund-raising for endowment and disbursement to the civil society sector is a new concept in most of these countries. Traditionally, each civil society organization will raise funds for operations and survive from one grant to the next. With few exceptions, no other civil society organization raises funds to make grants to the civil society sector as a whole, and their grant-making capacity and experiences are limited. Fund-raising from diverse sources, including the private sector and individuals, is a previously untapped resource in most developing countries. The local fund-raising effort is also affected by the intensity of poverty, which precludes individuals having the funds to invest in community development efforts. Further, the sociopolitical conditions in each country are different, and those conditions also affect the ability to raise domestic funds.

Inexperience in Investment and Fund Management

Another important challenge for emerging CFs is their lack of experience in the investment and management of funds. This shortcoming is experienced at different levels. For example, some countries, like Mozambique, lack a vibrant investment sector for the foundation to invest in. Where these opportunities exist, the investors have no experience with foundations or NGOs, and they are hesitant to give shares to a CF. In some countries, existing regulations make it difficult for CFs to invest.

Where opportunities for management exist, the expertise is often too expensive for CFs to access. Moreover, it is uncommon for the nonprofit sector to get involved in profitable ventures like investment. Finally, most new CFs lack the volume of funds required for the investment to make a significant difference.

Investment policies in developing countries and emerging democracies where the case studies in this report originated do not support emerging CFs. For example, in Eastern Europe, recent investment policies do not favor raising endowment funds. Restrictions include limiting the amount to be invested and denying CFs the opportunities to invest outside the country where they would get higher returns. Such factors work against CFs and must be addressed if endowments are to become an attractive option for donors.

Another hurdle CFs face is the need for financial and organizational structures able to manage funds from different sources with varied accounting procedures. This requires that CFs build the expertise to do so, which may be available but very costly. It is, however, worth noting that private foundations that support CFs have been willing, thus far, to provide the funding to address some of these issues.

Frequent Currency Devaluation

Another particularly challenging occurrence is that of “proactively managing funds whose currencies are susceptible to high inflation or frequent devaluation, and in striking the appropriate balance of low-risk and high-return investments” (Zwick, Ashman, and Brown 1997: 14). This is a very real challenge for the CF cases studied in Africa, Eastern Europe, and Latin America. In some countries, the high level of inflation adversely affected endowment funds, particularly in countries with regulations that do not allow funds to be invested in foreign currency. This problem is further compounded by the fact that the external environment in which the local foundations operate is unpredictable and influenced by both national and global changes. For example, “currencies can be drastically devalued overnight, which evaporates the fund balances of these institutions and the wealth of actual or potential local donors” (Zwick, Ashman and Brown 1997: 4). Such was the case in Russia in 1998, where the devaluation

of the local currency greatly affected an emerging local CF that had been promised funding by local banks. The currency crashed overnight and the banks had no funds to give to the foundation.

Diversifying Funding Sources

Most civil society organizations in developing countries do not raise funds from diverse sources to make grants to the same sector. Further, most donors do not coordinate their funding efforts and are reluctant to work in partnership with other donors. These factors, among others, make it very difficult for CFs to diversify their funds.

Lack of an Enabling Environment and a Regulatory Framework

Most countries lack a regulatory framework for CFs. While NGO laws may exist, these do not usually cover important issues affecting CFs. Consequently, new laws have been created for governments who wish to accommodate CFs.

Also, in most cases, emerging CFs are grappling with environments that lack supportive tax laws; in particular, the incentives to motivate the private sector and wealthy individuals to contribute. Furthermore, the formal philanthropic infrastructure existing in the United States and Canada does not exist in most countries. Pursuing financial donations from wealthy individuals, practiced by CFs in the United States, does not apply in most developing countries (Zwick, Ashman, and Brown 1997:20). Although indigenous forms of giving exist in many countries, it is unclear as to whether emerging CFs will benefit from this source.

Building Partnerships

Building partnerships takes time, particularly in a context where donors work independently. Partnerships are even more difficult for CFs who are trying to persuade multiple stakeholders in the private and public sectors and civil society organizations to work together. In spite of these challenges, emerging CFs have shown marked success in raising funds from local and international sources.

5. Recommendations and Possible Next Steps

For the World Bank, partnerships are the key to enhancing development effectiveness and impact. Partnerships are particularly important in the fight against poverty and the efforts to foster sustainable development, as revealed in recent World Bank strategies like the Comprehensive Development Framework (CDF) and the Poverty Reduction Strategy Papers (PRSP), among others.

Partnerships with civil society, although important, continue to be a challenge to many donor agencies. While a number of partnerships have been forged with NGOs, CFs present an opportunity to broaden the scope of civil society participation. The CF concept also presents opportunities to partner with new stakeholders to attract new resources to community development. While no attempt is made to prescribe actual next steps, the following section will highlight a few possible areas of partnership in general, particularly as they relate to World Bank operations.

Information Dissemination

The community development foundation concept is new at both the community and donor levels; it is also a departure from traditional support channels to civil society organizations, and to community development practices in particular. Very little research has been done on community development foundations. This collaborative research effort between the Ford Foundation and the World Bank is providing new information. The first step, therefore, is to disseminate the results of the study within the Bank, to other interested donors, and to the private sector. The aim here is to foster understanding of the CF concept.

These findings will also need to be shared with foundations and emerging CFs that lack access to experiences in other countries. The CF concept is also new

to the private sector. The Bank could play a leading role in providing the information to private sector groups interested in investing in community development. The Bank could ensure that the information is accessible to all stakeholders, including CFs. The information from the case studies could also be used to create development manuals to support the creation of CFs since there is already demonstrated interest by some social investment funds, like the Romania Social Fund. To facilitate understanding of the CF concept, it is important to establish a learning and support network that could be funded in partnership by interested donors and foundations. This will ensure the dialogue on CFs continues, which will benefit existing and emerging CFs in developing and transition countries.

Bringing in the Private Sector

The World Bank has a vested interest in strengthening partnerships with the private sector. Partnership with the private sector is, however, a fledgling process that requires support. For example, the private sector should be aware of the advantages of investing in communities; at the same time, CFs and similar institutions need to understand how the private sector operates. The forum for this kind of exchange needs to be established, and donors who have access to the private sector can support initiatives to bridge the gap between the sectors. This is already happening in some countries like Kenya where the World Bank Kenya Resident Mission gave a small grant in support of meetings between the Kenya CF and the private sector to discuss possibilities of partnership.

Other similar opportunities to forge partnerships exist among companies like Shell Oil Company, which are interested in investing in community development

in locations where they work, but lack both the expertise and local knowledge to do so. Some companies are seeking this kind of knowledge, and the World Bank can help by providing the information and the links to foundations and other interested stakeholders. The Business Partners Program in the World Bank could also go a long way to enhance partnerships between the private sector and CFs and could support both existing and emerging CFs.

Targeting the Poor and Other Marginalized Groups

Community development foundations have been effective in targeting specific groups like poor people and those living in marginalized areas. CFs present a great opportunity for the World Bank and other agencies interested in poverty reduction to work with local, home-grown poverty reduction initiatives. These efforts would also strengthen and build the capacity of local authorities that are targeted by CFs. Such activities would provide opportunities for partnerships in community-based development.

Enhance Partnerships in Community Development

CFs have effectively facilitated networking and created alliances among different sectors. There are many Bank projects that could both benefit and contribute to the development of CFs. For example, new CFs could be formed as a follow-up to social investment funds, which target CBOs and community development. The CFs' concentration on supporting capacity-building efforts could go a long way to sustain some social fund activities beyond the project period. CFs' ability to forge partnerships could also bring in resources and expertise that could enhance the impact of social funds.

Other initiatives that could benefit from CFs include social capital and the Community-Driven Development Initiative (CDD), among others. CFs can also strengthen decentralization efforts. Three of the case study CFs specifically worked with or supported partnerships with local governments. Working with the local government could go a long way in strengthening links between the local government and the communities. This partnership could also influence service delivery. Furthermore, meaningful partnerships could contribute to

ensuring transparency and accountability at the local level and thus support efforts to combat corruption.

Enabling Environment

There is no suitable legal framework for emerging CFs in most developing and transition countries. Despite records of improvements in the legal framework of NGOs, other issues affecting the operation and success of CFs remain. The World Bank initiative to provide an enabling environment for NGOs could incorporate CFs in these discussions and ensure a supportive framework for the sector as a whole.

The Bank could also provide information to interested governments and partner with interested foundations and donors to support these governments. Pilot projects could also be conducted in a few countries and the subsequent lessons learned could be used to inform other governments.

Mobilizing Funds for Operations and Building Endowments

Building endowments is a challenge for donor agencies that do not usually support the process. Yet building endowments could contribute to strengthening the financial capital of the nonprofit sector. Endowments would also ensure long-term availability of funds necessary for sustainable development, including poverty reduction. Such actions require the building and strengthening of partnerships, which is a CF cornerstone.

Recent trends on endowments are encouraging. For example, partnerships with other donor agencies through global environment facility (GEF) funds have produced endowments for the conservation of natural resources. Although creating this kind of fund for community development may be difficult, it is worth a try given renewed interest in sustainable poverty reduction strategies. Donor agencies could come together to conduct pilot projects. In so doing, agencies can decide whether this is a strategy they want to promote. There is already interest among some donor agencies regarding CFs, but they lack adequate knowledge. The findings of this study could be used to explore what further possibilities exist, especially given the interest shown by a number of foundations and donor agencies.

Part III

Profiles of Community Development Foundations

6. Africa Case Studies

Community development foundations have generated a lot of enthusiasm in Africa despite the fact that CFs are a new phenomenon in the region. Two of the most compelling reasons for this interest are that the finances for the NGO sector are decreasing, and that communities need to participate in their own development and particularly in poverty reduction efforts. To date, most of the funding for the civil society sector has come from international donors, earmarked for specific projects; these funds are not necessarily addressing the long-felt and long-range needs of the local people. These project-specific initiatives also seem to ignore the multifaceted nature of poverty. CFs have, therefore, sought to diversify funding, to give special consideration to local sources of funding, and to seek flexible international funding. Most of the foundations have also concentrated on the capacity building of local NGOs and CBOs. All are trying to establish transparent accountable governance structures and innovative partnership-based funding mechanisms. Most of the local foundations do not implement their own programs but are strengthening or building capacity for the local institutions that they support. While they strengthen the individual capacity of these institutions, they also strengthen their capacity to work with CBOs.

As far as funding is concerned, CFs seek funding from traditional donors as well as donors who have not traditionally funded the NGO sector. These latter donors include both the private and public sectors in some instances. All CFs target the private sector for both financial and human resources. Other sources of funding include the affluent people in local communities who have different kinds of assets that can be used for community development. CFs create an opportunity to forge partnerships with local authorities, grassroots groups, and the corporate and voluntary sectors. CFs'

independent status places them in a strategic position to bring people together to support local initiatives who might not otherwise meet. These local foundations also offer institutional mechanisms for the redistribution and utilization of local resources. For this process to take place, a conscious balance between pursuing financial resources and reducing poverty is necessary.

In spite of the many positive features, the CF concept is new, and it challenges the traditional modes of development. Furthermore, the CF concept has to be adapted to suit the context of different societies because the political, economic, and legal environment varies from country to country. There have been a lot of unexpected problems, and no roadmap to show the way.

Another challenge faced by emerging CFs is the building of endowments. Endowments support both the long-term stability and the self-reliance of development work, and they strengthen the civil society sector in that they can provide sufficient income to cover the operating costs and the organization's core costs, assuming that the income for program implementation will come from grants. Endowments bolster the organization's long-term decisions on program plans, staff, training needs, and policy, without having to reconsider these elements at the end of every grant. For almost every foundation, building endowments is an uphill battle. The success of endowment-building will require education, many changes at the individual and country levels, and a lot of time. Most countries will also need to be innovative in how they invest this money given the unstable economic situation in much of Africa.

Community foundations worldwide take a long time to establish. In the United States, for example, it takes up to 10 years to get a CF fully on its feet although the environment is supportive. Emerging CFs are bound to take a long time to establish because of a number of

factors. One factor is the current forms of giving and the fund-raising mechanisms; these have not necessarily been transparent or accountable. This means that an emerging foundation needs time to build a positive reputation and credibility before it can get funding from different sectors. This is a time-consuming process that is difficult for donor agencies. Donor agencies must remain flexible so as not to jeopardize the process that is so important in building trust for the emerging foundations. The changing global and local conditions give opportunities for these CFs to thrive. The following section looks at CFs and foundation-like institutions in four countries, namely FDC Mozambique, Kenya Community Development Foundation, Uthungulu Community Foundation in South Africa, and West Africa Rural Foundation based in Dakar, Senegal that operates in five countries.

Foundation for Community Development, Mozambique

Context and History

Mozambique gained political independence in 1975 but it was seriously affected by a succession of wars that ended in 1992. This prolonged war period adversely affected the socioeconomic development and social well-being of the majority of Mozambicans. As noted by Micou, the country “is suffering the combined effects of backward colonialism, years of underdevelopment, and lack of qualified human resources. About two-thirds of Mozambican households are absolutely poor. Owing to the war and migratory labor, 25 percent of households are headed by women who live in almost absolute poverty. Four million Mozambicans have been displaced within the country and in neighboring countries. Half of the population has been affected by war. The health network only covers about 30 percent of the population” (Micou 1997: 140). This situation has hampered the development of the civil society sector. As a result, most of the operating NGOs today are new and were established after the war to access donor funding. Donor funding was easily available at the time, while some NGOs had to change their missions to gain access to these resources. FDC was started against this backdrop,

in 1990, by a group of Mozambicans in response to the challenges facing the civil society sector and community development in general; it was initially called the Association for Community Development (ADC). The idea of developing a foundation came after many discussions among Mozambicans and other interested groups.

The idea of establishing a local foundation dates back to meetings between Graca Machel (the current president and one of the founders of the foundation), some Mozambican leaders, Peggy Dulany of the Synergos Institute, and the MacArthur Foundation. After being introduced to the concept of a local foundation, the founding group decided to further consult with more people in Mozambique to get their feedback on whether this was the best way to move forward. After a number of discussions, the MacArthur Foundation agreed to give a planning grant of \$25,000 to facilitate country-wide consultation. The funding was given through Synergos Institute, which helped organize a planning meeting in 1990 in Maputo. The aim of these consultations was to hear what others in Mozambique thought of the idea of establishing a foundation to support domestic NGOs in their country.

To facilitate this process, the founding group made contacts in all provinces and selected those who would come to the consultation meeting. Funds were needed for this group to travel around the country; since they had no funds, they approached their friends in companies and requested that they underwrite their airplane tickets. Although the money raised for this purpose was not a lot, it set the pace and created a forum for individuals and the private sector to get involved in the foundation. It also demonstrated that the local founding members were serious about raising local resources to address the development issues that mattered to them. It also demonstrated a commitment by the local companies to support community development efforts in the country.

The consultation was held in 1990, and it included people from the provinces as well as the government, private sector, and donors. To have all of these groups meeting with one another was a departure from the usual noninclusive way of conducting development business. This meeting broadened the decision-making base, and perhaps explains the support that

the foundation has gotten from different stakeholders over the years. The end result of this consultation was the decision that forming a local foundation was the right thing for Mozambique, and the process was then started. After this meeting, the government declared for the first time the freedom of association for NGOs. It is important to point out that at the time, there was only one other NGO—the Christian Council—and ADC became the second. There was no legislation for establishing a foundation; the founding group actually initiated the legislative process to enable a foundation to exist. “At the time, the main requirement was an endowment, a regulation left over from colonial days, when endowment was expected to come from an enterprise or a wealthy individual. But the Foundation was reversing the process by first creating the institution and then raising the money” (Micou 1997: 143). ADC was thus founded to help prepare legal framework, endowment, and institutional capacity to create a foundation. Although the need to create the institution was clear at the time, it was still difficult to decide what kind of an organization could meet the needs of the country, and especially in the NGO sector. This was compounded by the fact that the country was facing a lot of problems and people had different opinions about what kind of organization would be suitable. Follow-up meetings with a number of NGOs in the region led to the decision to form a civil society association. This group and others involved at the earlier stage formed what is known today as founding members and they still play an active role in the CF. They are very important stakeholders and can actively influence what happens in the CF and give the necessary support and clout needed to keep the organization accountable. After the initial founding years, the Foundation for Community Development was constituted in 1994. The next section looks at the existing structure of FDC, which has been evolving over time, and how it addresses issues of program, governance, and finance.

Mission Statement and Objectives

“FDC is a private not-for-profit grant-making institution that aims at building partnerships for strengthening the capacities of disadvantaged communities with the view of overcoming poverty and promoting social justice in Mozambique.” This mission statement

has evolved over time; initially, the ADC experience indicated “that external financing dependence of Mozambican development agents, mainly NGOs and CBOs, prevented Mozambicans from taking primary responsibility for the improvement of the disadvantaged people’s living standard. As a result, a desire emerged to establish a Mozambican civil society institution to support local initiatives through community investment and community capacity building and local actors who work with them” (FDC 1999).

The overall objective of FDC is to contribute to the eradication of poverty, and to promote self-confidence, solidarity, and justice in the Mozambican society. The strategic objectives include:

- Stimulating the capacity of individuals and Mozambican families so that they can improve their living conditions and develop their communities;
- Promoting capacity building of NGOs and other civil society organizations so that they can intervene effectively in community development and increase people’s participation in their activities; and
- Encouraging synergies and mobilizing resources from individuals, civil society, private sector, government, and individual donors for sustainable community development.

FDC wants to contribute to the poverty reduction efforts in the country as indicated by the focus of their programs, most of which target vulnerable groups countrywide. They take a broad view to the causes of poverty and aim to address structural issues and other aspects that may have come about as a result of their history. While economic issues are important, social issues must also be dealt with so that the root causes of poverty can be adequately understood.

To accomplish the mission, FDC fully acknowledges the importance of key stakeholders and has identified four. The first (principle) stakeholder is a group comprised of the CBOs, their communities, and NGOs. CBOs represent one of the most important stakeholders because they furnish the CF with information and experiences that allow formulation of strategies. The CF also feels that the civil society organization should be instrumental in shaping community development agenda, especially the NGOs.

The second stakeholder is the government, with whom FDC wants to create an enabling environment (both legal and political) for the civil society sector. The government has created space for NGOs to operate and has played a significant role in the approval of a law that allows tax exemption for money given to social and cultural programs. FDC also facilitated creation of the foundation that did not exist before. It is important to note that FDC has involved the government since the beginning because they realize the important role that government can play and should play to facilitate operation of the foundation and the civil society sector as a whole. FDC has also educated the government on the role and importance of the civil society sector and the need for the government to facilitate their role in development.

The third stakeholder is the private sector, which has also been involved in the FDC since the beginning. As pointed out in the previous section, they provided some of the funding for the countrywide consultation held in 1990 and have since continued to be involved in the foundation in various capacities. The FDC seeks funding support for community development from the private sector and wants them to start considering funding social development as part of their development program.

The fourth stakeholder group is the donors, and these include bilateral and multilateral agencies and large private foundations. For some time, the FDC has been talking to bilateral agencies about increasing the flexibility in funding development by allowing FDC to manage their development agendas locally. The FDC also sees multilateral agencies like the World Bank as important stakeholders because they define the development agenda in most countries; the FDC is hoping the Bank will influence policy direction in Mozambique.

Given FDC's focus on poverty eradication and the renewed support and interest from government and donors to address poverty in a meaningful way, the foundation has the potential to lobby and advocate for poverty reduction policies that are holistic.

Governance Structure

FDC's structure is made up of a general assembly; a board of directors; a strong presidency in charge of providing strategic guidance, fund-raising, and public

relations; an executive director supported by a program coordinator, plus five program managers; and other administration staff responsible for day-to-day program implementation of FDC.

General Assembly

The General Assembly is comprised of founder members, and institution and community representatives. These are people with extensive experience in local development issues who have been involved in looking for different ways to address community development problems and to link people to different types of resources to effect the necessary changes. This founding group has since expanded to include others who have supported the CF in one way or another. There are 40 people in the General Assembly who meet once a year to look at different reports and policies, and to keep the CF on track.

Board of Directors

The Board of Directors, which makes fundamental decisions on the affairs of FDC, has 10 members. They serve a maximum of two one-year terms and leave on a staggering basis to allow continuity. Many of these board members have worked in development for many years and some hold high government posts (these were appointed as board members before their current office in government). The board members know each other very well and have worked together at different levels. The Board chair and President of FDC is Ms. Graca Machel.

The Board approves the program, and decisions are usually made by consensus. To make decisionmaking more effective, specific board members have been assigned to specific areas of their expertise so that they can give more input and direction. These include asset development, program, and legal matters.

Program Development and Activities

FDC's program has evolved over time to respond to the changing needs of the civil society sector and to community development on the whole. For example, "because of the significant need to reconstruct capacity in Mozambican communities after the protracted war, FDC focused its initial grant making in the areas of supplying basic needs, helping expand opportunities for income

generation in communities, building human skills and capacity through education, and strengthening local NGO management and program capacity” (Micou 1997: 40).

Building on past experience, FDC has a five-year strategic plan that focuses on four areas, namely, social development, economic development, institutional development, and development policies and strategies. The specific objective for social development is to improve social conditions and to disseminate experience on sustainable community development. The objective for economic development is to increase the income of small-scale producers, Mozambican families, and communities. The specific objective for institutional development is to increase the organizational, technical, and financial capacity of NGOs and CBOs in order to give a greater impulse to sustainable community development. The objective for development policies and strategies is to influence the government, private sector, donors, and other development agents to set favorable policies and programs for NGOs and CBOs and for community development.

FDC does not usually implement these programs but works in partnership with NGOs and CBOs and other relevant partners. It is important, however, to point out that initially, the CF had to implement some of the projects directly because of the lack of capacity of partner NGOs and CBOs. FDC also needed a track record in order to access funding from donors who knew very little about the CF and its activities. Further, FDC has maintained a learning agenda since its inception and implementing some projects provided this opportunity. FDC partners are divided into five categories, as follows:

- Organizations who share common goals, interests, and visions, namely CBOs/NGOs;
- Cooperatives, cultural groups, clubs, local government structures, research institutions;
- International partners with whom FDC carries out common development agendas, either in international advocacy or in facilitation of strategic dialogues and fund-raising;
- Donors with whom FDC maintains long-term bonds expressed through a five-year collaborative program based on common ideas and values; and
- Associate members of FDC who provide valuable

intellectual contributions to shape policies and strategies and to develop programs.

Another aspect of FDC programs is that they have made a concerted effort to use existing structures instead of building new structures. The main objective here is to build on existing resources to ensure sustainability. In cases where there are no local organizations, especially in rural areas, FDC facilitates formation of new CBOs. Support for new local CBOs is important in Mozambique where development of the civil society sector was hampered by war for many years. In addition, FDC has tried to focus on areas without much NGO activity. FDC has also helped facilitate the formation of rural resource centers and libraries to encourage information-sharing and adult literacy.

An important aspect of the programs that FDC supports is the requirement that projects originate from the communities themselves, and that the communities participate in every stage of the project to ensure that FDC’s grants directly meet the needs and objectives of these communities. FDC mostly cofinances projects and maintains contact with the group or the NGO throughout the process. That way, the group or NGO can build capacity that will continue after the funding cycle.

The cofinancing process has four steps that include initial contact, proposal development, execution, and evaluation. In the initial contact stage, FDC concentrates on building a relationship with the community or the NGO and getting a clear idea of their objectives. In the proposal development stage, FDC takes a proactive role in designing and developing projects, with a long-term goal of the communities themselves establishing the capacity to take over the proposal development phase and to raise funds independently. During the execution phase, FDC provides technical assistance and access to small inputs, advice, communications, and suppliers. In the final stage, the project officer conducts, with the community or NGO partners, a formal evaluation of the progress and obstacles in meeting the project’s stated objectives. These evaluations, together with internal evaluation, inform the cofinancing process and make recommendations concerning next steps, including follow-up proposals.

FDC cofinances development activities through grants and credit. Their support aims to build capacity within

the community so that the community itself can plan and carry out its own projects to improve the quality of life. The focus is on strengthening self-reliance and increasing the human, material, and financial resources at the community level. The Foundation supports priority projects that develop human potential, generate income, and put in place critically needed infrastructure. FDC is committed to building capacity within the nonprofit sector and sees itself as a resource center for ideas and practical action.

To cover the country and to monitor its activities, the FDC has program staff who manage certain sections of the country or thematic areas. They have three regions, including south, central, and northern areas, and three people are in charge of these areas and operate in eight of the ten provinces.

FDC has also funded capacity-building seminars and courses related to Mozambican NGO development; it has supported and participated in forums that promote peace, democracy, human rights, landmines ban,

external debt relief, rehabilitation, and children as indicated in Box 6.2.

As indicated in the previous section, most of FDC's activities have been concentrated on building the capacity of NGOs and CBOs. FDC has been able to accomplish this through training on the one hand, and institutional support on the other, and through facilitating the establishment of a National and Provincial Forums of Mozambican NGOs.

Resource Mobilization and Building Endowment

Since its formation, FDC had an objective of raising funds from both domestic and international sources. The founding members were very committed to raising domestic funds and led the way by contributing seed money to the endowment fund. They were also committed to involving all sectors in this endeavor, and they approached local companies and joint ventures for initial seed money. They did not wait to form

Box 6.1. Examples of Some of the Roles of FDC

Grant maker: FDC managed to cofinance construction of 57 classrooms for roughly 5,000 pupils; three buildings for extracurricular activities; and provided additional training for 92 primary school teachers. FDC has also constructed wells for about 5,000 people; provided capacity building to 130 women to implement income-generating activities; provided microcredit funds for about 1,000 families; and cofinanced several other community development initiatives in economic and social areas.

Capacity builder: FDC cofinanced the training of NGOs in collaboration with specialized institutions in the areas of project design and analysis, financial management and accounting, and leadership. The training sessions benefited about 135 representatives of NGOs from three provinces.

Convenor: In collaboration with other institutions, FDC convened several events, such as seminars, debates, and conferences to discuss issues related to community development; for example, a seminar on decentralization in Mozambique, a seminar on the role of NGOs from the implementation of the National Program for Environment, and a seminar on institutions, systems, and credit for the poor.

Advocate: FDC is committed to raising the voice of the

civil society of Mozambique and it supports actions that aim at influencing policy, and creating a favorable environment for community development. In that regard, it cofinances, executes, lobbies, and participates in advocacy working groups, including those concerned with an antipersonnel landmines ban, external debt and development, land tenure, child development and protection, microcredit, and girls' education.

Networker: FDC promotes dialogue between national and international social organizations and social networks to enhance the exchange of ideas; for example, roundtable meetings to deepen the understanding of Mozambican associations and the role of civil society in development.

FDC supports community development projects that particularly benefit vulnerable groups in the areas of population, income generation, and social equality. Economic development includes projects aimed at benefiting women; for example, vegetable farming, animal husbandry, soap making, sewing, fishing, and microenterprise, as well as various pilot projects to try new ideas. In the social area, the programs that have been funded include: building primary schools, supplying potable water, promoting girls' schooling, promoting literacy, and primary health care.

Box 6.2. FDC Strengthens the Civil Society Sector

FDC helped form the Forum of NGOs, which is a local umbrella organization for NGOs. Support for such an organization was motivated by the existing weak NGO sector in the country, and the need to build capacity within the overall sector. FDC had as one of its objectives the formation of such a forum so that NGOs could effectively discuss their problems and work together. FDC gave technical and financial support to this umbrella organization to draft a NGO constitution and discuss it with NGOs before it would be submitted to the government for approval. The process to create this umbrella organization has taken about four years; they have held 11 mini-forums in the provinces and convened a formal assembly with delegates from these NGOs in October of 1999.

The Forum of NGOs will not have an implementing role but will help provincial offices implement their program. They also want to create horizontal links between the NGOs and to strengthen links between NGOs, CBOs, and other associations and groups like women's groups.

FDC Supports Important Policy Dialogues and Debates

ORAM (a local organization working on land issues): ORAM is one of FDC's partners whose main objective is to pro-

tect the land rights of peasants. Currently, it is trying to build capacity for local associations to address these land issues. One of its major activities included a peaceful march to Maputo organized to lobby government not to privatize land. This march was a great success and so far the government is listening to the pleas of the local people. ORAM also disseminates land law and creates new CBOs where they are needed but do not exist. ORAM has activities in six provinces where it has provincial offices.

National Organization Against Drugs (NOAD): This organization was inspired by a seminar supported by FDC; it mainly trains activists that work with other organizations. NOAD has three offices in three provinces and each office has its own program. The group tries to identify interested local groups and through seminars, debates, and sometimes theater; NOAD trains citizens to address drug related issues. Currently, NOAD is affiliated with 147 NGOs in four provinces, and this number is increasing. Financial support has come from Oxfam and the U.N. Center for Drug Control. The organization also maintains a traditional relationship with the Ministry of Health and with hospitals.

the organization and then let the private sector decide what role they could play; instead, they involved the private sector in the initial consultation not only as participants but also to fund some of the groundwork to organize the consultation. For example, they underwrote some of the plane tickets for founding members to go to the provinces and organize participation in the initial consultation. Others involved in this process included friends of the founding members, who were also invited to both participate and contribute funds to FDC. Through this process, FDC was able to raise \$300,000 in seed money from local sources. As the president of the Foundation, Graca Machel, puts it, "with this seed money we had courage and dignity to go to donors and ask for funds."

An important source of funding at the beginning of this process was the John D. and Catherine T. MacArthur Foundation, which gave FDC the funding to facilitate countrywide consultation in 1990. After the formation of FDC in 1994, the MacArthur Foundation provided

initial operating funds.

The transformation from ADC into FDC required new forms of organization and financing, including the fundamental objective of creating an endowment in order to constitute its unique program basis. Consequently, a wide range of fund-raising campaigns were launched involving its founding members and ordinary citizens, corporations, religious institutions, and donors (mainly private foundations and bilateral agencies). At the same time, FDC benefited from a debt swap opportunity out of the Mozambican external debt (FDC 1999: 4). FDC is also trying to generate their own money through investments (mostly through endowments).

Private Sector

FDC has received both operating and endowment funds from private companies both inside and outside Mozambique. Examples of companies that have given funds to FDC include Coca-Cola, Mozambique Beer

Brewers, Entrepoto (a vehicle company), and Manica Freight Services. Like many African countries, the tradition of private sector involvement in community development is limited or nonexistent. FDC has succeeded in engaging some of these companies to not only provide funds but also their expertise. Many were also involved in the initial national consultation and have continued to play an active role.

Debt Swap and Buy-Back

FDC and particularly the president have been very aggressive in getting funding from various sources, including nontraditional sources like the government and the private sector. The key to the private sector funding was involving them from the beginning; also beneficial was the founding members' ability and willingness to use their social capital to involve their friends in FDC. The founding members' conviction about the role the foundation should play to reduce poverty made them passionate about soliciting both funds and other types of resources for the CF. They also utilized whatever information and connections they had to get others involved in FDC.

Succeeding with the debt swap was a clear demonstration of how networking, social capital, and commitment to an idea can make a difference. The opportunity came about at a time when some countries were selling off (or writing off) Mozambique's debt. For foreign governments to write off their debt, the Mozambican government had to agree to set aside a predetermined amount in local currency for social development. Getting access to this money required negotiation with the Mozambique government and the participating governments, which took both time and money. It also required that the founding group, after convincing the government, had to convince the donor governments. The negotiation to make the case for donating the debt buy-back funds to FDC could not be done with local embassies in Mozambique, and the founding members had to travel personally to the creditor countries of Norway, Sweden, Finland, Denmark and Holland in the fall of 1990. The funding for this travel came from the founders and local companies. When discussing how the foundation did this, one of the founders had this to say: "So we had historical chance and the connections . . . all the parts of a bridge" (Micou 1997: 144).

Finally, in 1996, FDC received the last payment, which had by this time been reduced by \$10 million to \$6,000—a result of devaluation (Micou 1997:144).

Investing Endowment Funds

Today FDC has an endowment of \$6 million, which has been invested in banking, insurance, real estate, and rotary. FDC bought shares in the International Bank in Mozambique (5 percent). Currently FDC is developing an investment policy that must be ethical and not conflict with the values of FDC regarding poverty reduction. This is a challenge given the limited opportunities to invest in the country, and the fact that existing opportunities may be in conflict with FDC's poverty reduction efforts and consequently hurt the poor.

The Unique Role of FDC

Promoting Philanthropy and Facilitating Innovative Resource Mobilization for Community Development

FDC is the first and only organization that emphasizes philanthropy and the involvement of different stakeholders in the public, private, and social sectors. It has been a trailblazer in that it mobilized its own funds and successfully generated new resources to finance community development activities in Mozambique. Their sources include a range of international foundations, bilateral and multilateral official donors, international NGOs, and Mozambican and multinational companies. FDC has been particularly innovative in bringing in the private sector by encouraging national and foreign corporations based in Mozambique to donate part of their returns to support community development programs.

Building Endowment

Of the four case studies in Africa, FDC is the first foundation to successfully raise endowments from both local and international sources. Building endowments was seen as an important aspect of the local foundation and was given serious attention from the time of the establishment of FDC. FDC felt strongly that building an endowment would eventually provide flexible funds for operation, and thus create a forum for FDC to address local community needs in sustainable ways. This is

important given the role that FDC is playing and hopes to continue to play to help reduce poverty in Mozambique. Given the magnitude of the poverty problem, FDC realizes that it will still need donor funding but it would like to earmark most of this funding directly to development while raising its operating and other special project funding from its own endowment.

Creating Space for Civil Society

FDC played and continues to play a significant role in creating an enabling environment for NGOs. FDC was the second NGO organization to be registered and it played a significant role in the creation of the law on freedom of association and was instrumental in forming the CF. Since then, it has continued to play a very significant role in building and strengthening the civil society sector, which is both new and weak. FDC has supported initiatives that facilitate networking, like the formation of the NGO forum. In addition, it has a pivotal role in the capacity building of both NGOs and CBOs. The idea is for these institutions to look within and establish their own identity and credibility within the country.

FDC has also increased capacity and opportunities within the most disadvantaged communities, and it sees itself as a resource organization for NGOs and CBOs. Its link is through community structures, NGOs, and CBOs, which are pursuing a community agenda.

Promoting Partnerships

FDC is collaborating with and building bridges between different organizations and communities. Although it recognizes the weaknesses of local authorities, for example, it also knows that local authorities are closest to communities and have resources that can benefit communities if properly utilized. FDC also acknowledges that it can leverage government resources by working with local authorities. Other important partners are the private sector and local people who have been involved in the process since the beginning, with some of the companies giving funds for operations and endowment. This is funding that was not readily available to the NGO sector.

Another important bridge instituted by FDC is between the country's poor and the sources of power; this bridge was catalyzed by promoting synergies between the two

groups. FDC is there to create political and legal position for partnerships, through a strong advocacy program targeting government, bilateral, and multilateral agencies, and other relevant institutions. FDC has been very successful because it is involving people who are interested in raising specific issues; it then connects these people to others who can address and change the situation. FDC also has a well-connected board, which has played an important role in raising the voices of the voiceless.

Key Issues and Challenges

While FDC has played a significant and important role in supporting the civil society sector, it still faces a number of challenges as outlined below.

Extreme Poverty

Although most countries where local foundations are being established have poverty, the case of Mozambique is different in that it is just now recovering from 16 years of civil war, which destroyed the socioeconomic fabric of the community. This forced many people into extreme poverty, and today it is one of the poorest countries in the world. This poverty challenges the development of a local foundation, which is looking into raising both domestic and international funds for development. Further, the country lacks the financial base that would motivate wealthy individuals to contribute to community development. Ironically, FDC led the way in raising the initial local funding of \$300,000 and has the largest endowment among all the cases studied in developing countries. It also has set a record in getting funds from both the private and public sectors. But the challenges that it has to address are great and will require large funds, most of which are not available locally. Another associated problem is the dependence of the poor on donors, which was facilitated by the relief-oriented support given to communities after the war. People still do not clearly see that they have a stake and a role in ending their poverty; this must be realized for development to take place.

Weak Civil Society Sector

Another challenge for FDC is the weak civil society sector in Mozambique. Because of the war, the civil soci-

ety sector is relatively new and, as pointed out earlier, FDC was the second NGO-type of organization to be formed. Many NGOs were formed after the war to access the then readily available funding. Others that had already formed had to change their goals to facilitate access to this funding. So while the motive of many NGOs is development, this could not be said for all of them. This poses questions as to which NGOs to support, and if rules were changed, it is not clear that all of those who would benefit would be organizations set up for the public good. This problem is not unique to Mozambique; most developing countries have an undefined NGO sector. Another related problem is that FDC is a grant-making organization, which prefers not to implement programs, a situation complicated by weak (in some sectors, nonexistent) NGO and CBO sectors. This lack of capacity delays the process of development because FDC has to build capacity and sometimes create new CBOs before anything can be accomplished.

Poor Infrastructure

The problem of the weak civil society sector is further complicated by very poor infrastructure, which has recently been worsened by the devastating floods that hit the country in early 2000. The poor infrastructure has made it extremely difficult for FDC to do its work in the provinces, most of which are far from Maputo. In most cases, staff have to fly because of the lack of roads and other related problems. This accessibility problem is not only expensive but makes the job of the CF difficult because it needs to be in continual contact with its partners. In addition, this travel requires the kind of personnel that are not available to CFs, which are required to spend most of their funds for actual community development. Not only is it very difficult to find personnel due to the local capacity, but Mozambique also faces a language barrier because it is one of very few Portuguese speaking countries in Africa, making it difficult to take advantage of qualified personnel in the greater area.

Endowment

Although FDC has the largest endowment of all the case studies in developing countries, this is far from what it needs to face their many challenges. FDC also has to grapple with the everyday problems of donors not

wanting to invest in endowment, and the private sector only wanting to commit funds for short periods of time. While funds for projects may be readily available, it is difficult for FDC to build its endowment. It is possible that it may reach a saturation point before too long, which is a problem faced by many emerging CFs. For example, private sector companies seem to respond to short appeals for funding but they are not inclined to give for long-term support.

Another challenge is that of fund investment and management. FDC needs to devise a clear-cut policy that mandates investment in opportunities that uphold the ideals and values the CF stands for. For instance, project-based investments that make money quickly are complicated and may end up hurting the very people they seek to protect. Further, the civil society sector in Africa has garnered very little experience in investments, and so FDC has to cover a lot of new ground.

A related problem is getting viable investment options. Mozambique is going through a transitional time and the lack of viable investments has been a challenge from the beginning; this is complicated by the fact that investment needs to happen immediately due to the rapid devaluation of the local currency.

Lack of an Enabling Environment

The CF concept had never been used in Mozambique before and therefore no legal framework for a foundation or foundation-like institution is in place. Further, the legal framework and tax system did not provide incentives for stakeholders to contribute to local development. These issues take a long time to work out, even in countries with a long history of NGO involvement; in Mozambique, it will take even longer because there is so much preliminary work to be done.

Inadequate Personnel

It is clear that the job to be done is indeed great and will require a significant number of personnel and capacity. FDC, full of capacity by Mozambique standards, still displays capacity gaps that need to be addressed. This is particularly important given long distances, poor infrastructure, and the weak civil society sector. There is also a need for a proper institutional mechanism to monitor activities on the ground and make sure those activities are addressing poverty issues. As to how the CF

can meet its stated goals and objectives, cover a large needy country, and play its role in poverty reduction remains to be seen. And since no other organization is doing what FDC is doing, it has to figure this out as it goes along. To ensure the impact on poverty, that impact must be evident, which is only possible through proper institutional mechanisms to monitor activities. Those mechanisms require staff who are constantly linked to these poor communities. This is a challenge for FDC, especially now, given the weak civil society sector. The CF must also try to break the dependency syndrome and ensure ownership and control by local communities. Having established FDC for community development, how does FDC go one step further and build community foundations and facilitate local asset development?

Kenya Community Development Foundation

Context and History

The community development field in Kenya is large and growing. Although the sector has contributed significantly to community development and poverty reduction efforts, it faces a number of challenges, which include lack of accountability and transparency to partners and especially communities; disempowered communities; high poverty levels; and lack of supportive public policies and practices. "Lack of accountability and transparency to partners and especially communities" is due to the fact that, in most cases, communities are not considered part of the planning process and rarely play any important role in the design of projects. The community is generally not aware of the available resources and cannot hold NGOs or donors accountable. These communities are essentially not empowered to take charge of their own development; they tend to depend on external and donor funding with no clear focus on their own development agenda. Further, most citizens do not know what resources they have or can generate locally. Although Kenya has a very large number of community-based organizations, these do not have access to information, donor funding, or capacity to achieve their goals. This problem is compounded

by the tendency by both donors and NGOs to focus on a few geographic areas and short-term development strategies that either do not respond to local needs, or they are set up to benefit the institutional development of the NGO or CBO. It is also worth noting that NGO agendas are mostly determined by the availability of funding, and they do not necessarily feel the needs of the communities they work with. The accountability is with the donors and not the communities, which makes it harder to respond to existing or emerging community development problems.

Although the government acknowledges the important role played by communities and their organizations in the development process, there is no clear-cut policy or funds to strengthen local institutions. In addition to all these problems, two-thirds of Kenya's population today still live below the poverty line despite enormous investments by public and social sectors. Furthermore, the provision of services by the government has continued to decline over the years.

KCDF was created against this background to try to build and strengthen capacity for communities and their organizations to effectively respond to poverty and other development problems. KCDF also must raise both domestic and international resources to be able to support long-term responsive development. Raising funds locally is particularly important because it increases local control, accountability, and responsibility for the development processes.

KCDF evolved from more than two years of discussions and analysis of the poverty situation in Kenya. This process was supported by the Ford Foundation, which, at the time, was looking at alternative sustainable ways to address the increasing poverty in Kenya. First, research on community development problems was conducted, and various groups of CBOs, NGOs, and community development practitioners were interviewed. The findings of these studies confirmed the increasing poverty despite a lot of investment by donors and NGOs. The next set of consultations included brainstorming sessions with some NGO and CBO leaders and other professionals involved in community development. These deliberations concluded that outsiders and not local people so far had controlled the development agenda. The donors who provided the resources had set the development agenda; most NGOs tended

to implement those agendas. The community's role was reduced to that of implementing those same agendas. Experience in recent years has taught us that communities have to play a central role in all stages of development if the projects are to be successful. The end result of these discussions was an agreement that a Kenyan institution was needed that could build the capacity of local people to participate fully in development. For this to happen, there had to be access to the funds that encourage this kind of development; hence the decision to raise funds from local sources as well as international.

The consultation process described above was followed by a two-year planning process by an advisory committee. This committee was composed of development experts from NGO, donors, and the private sector to a limited extent. During the two-year period, this group was exposed to a number of community development concepts, including the U.S. community foundations concept. The flexibility of this concept and its ability to address long-term funding issues made it an interesting alternative, and the committee decided to try the concept in the Kenyan context.

Up to this time, most of the financial support for programs in Kenya had come from the Ford Foundation, although a number of meetings had taken place with other interested donors. Aga Khan Foundation decided that it wanted to be involved in the pilot phase of this evolving local foundation and attended some of the initial meetings. After many deliberations, it was decided that the new organization could be piloted as a project of Aga Khan, and a tripartite agreement between the advisory committee, the Ford Foundation, and the Aga Khan Foundation was signed in 1997. It is at that point that the Kenya Community Development Foundation was launched as a project of Aga Khan, and the process of hiring staff began. This arrangement would be in place for three years, and after an evaluation KCDF could register as an independent organization. The three-year period has now ended, and the evaluation has been completed; the process of registration of KCDF as an independent organization is underway. In these three pilot years, KCDF has established itself: KCDF has given 13 grants to local organizations, developed a diverse management board, and has been trying to raise funds from diverse sources.

Mission Statement and Objectives

KCDF's mission is to create a Kenyan foundation that effectively mobilizes resources from private and public sources and builds permanent funds for grant making for the development of communities. KCDF therefore aims to facilitate community capacity building and to build and manage permanent development assets from Kenyan and international sources. The challenge here will be to build a strong and permanent asset base and, at the same time, maintain a strong relationship with and be accountable to poor communities in Kenya.

The goals of KCDF are as follows:

- To increase the capacity of poor communities to take control of their development (responsibility);
- To learn about and promote effective approaches to building the capacity of poor communities (learning);
- To promote Kenyan ownership by building permanent development funds from Kenya and her friends (permanence/sustainability); and
- To promote an enabling environment for community development in Kenya (policy).

The four complementary strategies to achieve the above goals include the following:

- To support and strengthen intermediary community development organizations;
- To learn, share, and promote information about effective approaches to community development;
- To influence the policies and practices of donors, NGOs, and government to be supportive of community activities; and
- To promote and establish Kenyan control over, responsibility for, and management of community development.

For KCDF to successfully implement these strategies, its organization must be strong; these three pilot years have focused on building a strong organization that is based on the local reality. According to the KCDF strategic plan, the organization will be an endowed, grant-making institution that will, over time, build its assets from Kenyan sources. These assets will be invested to provide a permanent and dependable source of support for development. KCDF's governance, structure, and finance base will be rooted in Kenyan society,

which will increase local accountability and control of development activities and reduce the influence and changing priorities of outsiders. As a local organization, KCDF is building a Kenyan center of learning about community development work, and it is stimulating the generation of locally designed activities, as opposed to foreign-funded solutions. As part of local fund-raising activities, KCDF will seek the support of a wide range of powerful Kenyans (individuals and corporations), thereby increasing Kenyan responsibility for development to work. KCDF plans to break new ground by promoting a culture of philanthropy in Kenya that will benefit the development sector in particular and Kenya as a whole.

KCDF's program strategies focus on the capacity building of local institutions, including NGOs, CBOs, and their associations. Empowered local institutions will ensure that communities take responsibility for setting and pursuing their own development agenda, seeking assistance as they see fit and appropriate. KCDF will therefore play the role of a development facilitator by building individual and community capacity to manage change and development, and to focus its activities on strengthening organizational capacity as opposed to project funding. KCDF also has a strong focus on learning, and experimentation, research, and documentation shape most of the activities. The organization is guided by a set of explicit learning questions that will evolve in response to experience. This learning will be documented and shared to increase effectiveness in supporting community-based development. Further, KCDF plans to develop a strong advocacy role to influence public and private sector policies and practices.

Governance Structure

The KCDF governance structure has evolved over time. For the most part, the founding members of KCDF were professionals put together by the Ford Foundation to think through what was needed in Kenya to address the increasing poverty there. This group, called the Advisory Committee, was composed of six people, and for over two years they volunteered their time to think through the process and do the initial planning of KCDF. During this process, the Aga Khan Foundation joined the planning team and with the signing of the tripartite agree-

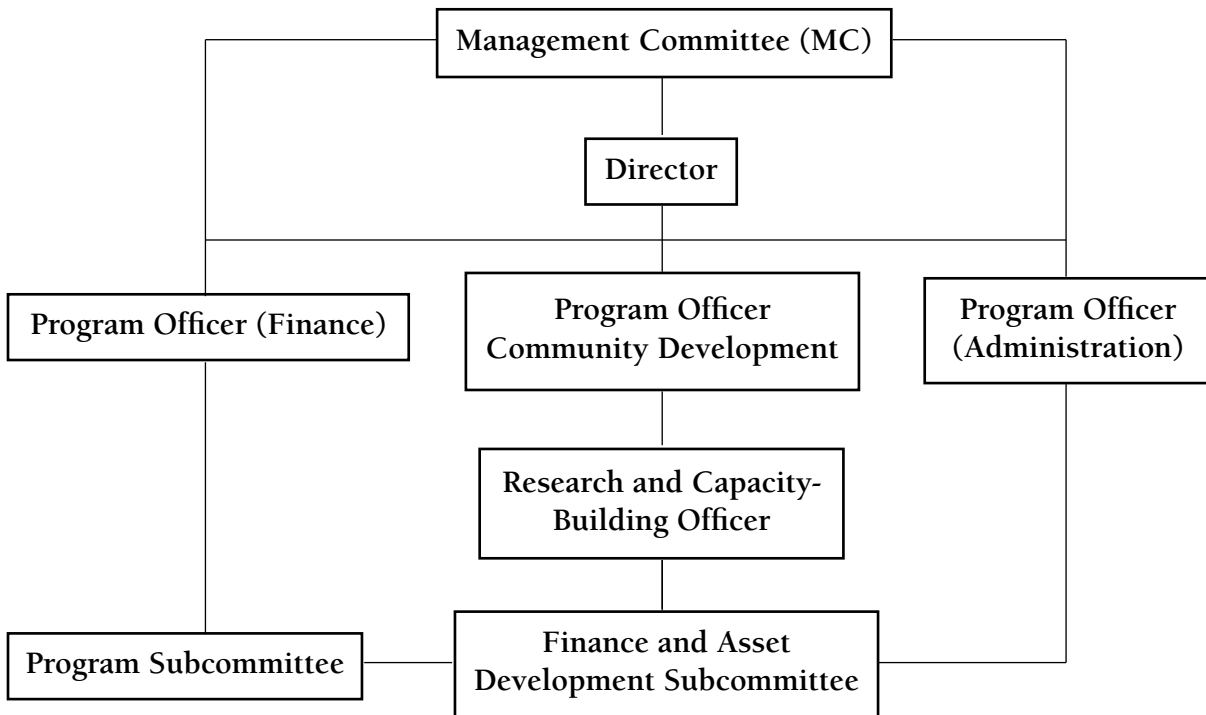
ment between the advisory committee, the Ford Foundation, and the Aga Khan Foundation, the advisory committee was changed to a Management Committee with nine members. With time, the group realized the need to have more people from the private sector and increased the number of members to thirteen. A board is now fully formed, and is composed of fifteen members. The board members do not represent their individual organizations but rather are serving in their own capacity. The board members will each serve a three-year renewable term.

Program Development and Activities

KCDF's program has evolved over time, and the CF aims at using the grant-making process to build independent organizations, communities, and individuals rather than keeping them dependent. The emphasis is on strengthening the people so that they can sustain whatever processes and projects they put in place, whether by KCDF grants or through other means. The current program, therefore, concentrates on community capacity building which has been broadened to include enhancement of the communities' ability to mobilize and organize themselves politically, economically, socially, and culturally. This includes community actions to rehabilitate infrastructure, access education and health, engage in advocacy, improve their livelihoods, and deal with other donor-advised funds. In its first three years of existence, KCDF has concentrated on supporting and strengthening intermediary community development organizations: small and medium NGOs, CBOs, and community development associations, including associations of women's groups, youth groups, and self-help groups that focus on community development rather than on the narrow interests of members.

KCDF is helping build the institutional capacity of these organizations through the provision of a broad range of development assistance, both financial and technical, targeted to areas identified in a collaborative assessment exercise; this exercise used the KCDF's Capacity Assessment Tool, which was developed with partners. KCDF also provides technical, financial, and practical support in areas such as community organization, better understanding of various participatory

Figure 6.1. KCDF's Organizational Structure



methodologies, and the related issues of gender and reaching the most disadvantaged members of the community.

Specific interventions between KCDF and these organizations and communities include:

- Organizational capacity assessment;
- Direct ongoing support, and training in management, planning and program development, and financial management;
- Financial support for training, study tours, and acquisition of equipment and supplies;
- Support for sustainability strategies such as steer fattening and grain buying and selling; and
- Support for community empowerment initiatives through collaborative grants to organizations with expertise in participatory methodologies to work with the partners.

KCDF sees itself as a learning organization and has developed a strategy to study, share, and promote information about effective approaches to community development. KCDF plans to identify “best practices” of NGOs, CBOs, government, and donors, as well as systematically assess its own performance and that of its

partners in a search for lessons. Supported by research in specific areas, the learning will be documented and shared through mass media and various other creative means to reach NGOs, donors, government, and CBOs. This process has already started.

KCDF also has a research agenda and intends to influence the policies and practices of donors, NGOs and CBOs, and government in ways to interact with communities, and to create an environment supportive of community development activities. KCDF aims to pioneer a new approach in which participation goes beyond community involvement and contributes to development projects. In this case, a community should take responsibility for setting and pursuing its own development agenda, seeking assistance from NGOs, government, and donors when it deems appropriate.

Resource Mobilization and Building Endowment

KCDF is funded by the Ford Foundation and, to some degree, the Aga Khan Foundation, as well as local organizations and individuals who share KCDF's vision. The endowment account has \$50,000 (3.6 million Kenyan shillings). While most of this money is from interest

Box 6.3. Identifying and Choosing Partners

The partner identification cycle is a long process that starts with publicizing the grants. The interested institutions are required to fill out a questionnaire and commit to a partnership identification process with KCDF. KCDF uses media, NGOs, government extension workers, radio, and any other forum these organizations may have access to to broaden the base of those who can participate. Those short-listed are invited to a “get acquainted” workshop that both managers and board members attend. This is followed by field visits in which KCDF talks to community mem-

bers, reviews financial and other systems, and discusses capacity-building needs. The field visit is followed by a capacity-assessment workshop, and then the proposal preparation begins. These proposals are submitted to the KCDF management committee for approval. Once approval is obtained, detailed implementation plans are made, after which KCDF support partner activities begin.

Though this process takes time, KCDF believes that the process itself builds capacity for both those benefiting from the grant, and those just being introduced to KCDF.

accrued by KCDF, members of the management committee and staff have contributed and continue to contribute to this account. Other activities are under way to increase funds from a number of sources. The Ford Foundation has also given a matching endowment grant of \$650,000 to be raised over a period of four years. A total of 25 percent of this match should be raised from local sources.

There are three other new donors for the program, but these funds are for the program, not the endowment. The funds include \$50,000 from Bernard van Leer Foundation's for capacity building for the CF's local partners. IDRC has also given a research grant of \$6,900 (500,000 Kenyan shillings) while the World Bank has given a grant of \$7,900 from the Small Grants Program to cover the corporate program and a community radio program.

The strategy of raising funds so far has been mainly through writing concept papers, and presenting these papers to different donors. The CF has also had to organize “Open Houses” where different groups and people have been introduced to KCDF.

Key Issues and Challenges

Although KCDF has grown significantly in the last three years, it is still in its infancy and faces a number of challenges. What is outlined below are some of the things the CF plans to do or is just beginning to do. The three characteristics that distinguish KCDF from regular NGOs in Kenya include:

- *Mobilization of permanent assets (endowment funds) and other human and financial resources from local indi-*

viduals, corporate donors, and international sources. So far there are few permanent assets; building this cof-fer will take time given the fact that CF is a new concept, and the current political and economic situations are not conducive. However, it is worth noting that the process of raising local funds has been initiated by the board members opening the endowment fund, and an asset development strategy has been developed. The CF has also done research on community assets and philanthropy to inform the new strategy. The CF must educate Kenyans and donors on the value of a new local donor agency for community development. They also must develop a reputable, accountable, and transparent institution to maintain domestic funds. Further, they must demonstrate the impact of their approaches and programs to the communities they are trying to help

KCDF also plans to fully engage communities and their organizations and the private and public sector. KCDF is targeting funding from wealthy individuals in Kenya; they hope to mobilize community assets and resources, and to strengthen communities by promoting links between the poor, the rich, and local Kenyan constituencies to meet the development challenge. This is undeniably an uphill battle but it must be won to break the current cycle of donor dependence and to get citizens involved in their own development.

- *Grant making as a principle activity.* KCDF plans to be a donor for the civil society sector. This is another departure from current development practices, which donors and the civil society sector may resist. But the existence of a foundation that funds NGOs

and CBOs to do development presents an opportunity for creating local institutions and funding the programs that communities care about. It also provides the freedom to fund community initiatives and both existing and new organizations. It presents an opportunity to fund struggling CBOs or NGOs, and associations of CBOs.

- *A system of transparent, accountable, and locally rooted governance that organizes and balances functions 1 and 2 above.* KCDF has gone out of its way to establish a governance structure that will facilitate accountability and transparency by ensuring a balance of

reputable professionals, practitioners, and members from the private sector. This governance structure is very important for a country that is plagued by corruption and a civil society sector that is not necessarily transparent or accountable.

In spite of all this potential, KCDF faces many challenges that include legal, political, social, and economic bottlenecks.

The concept of community development foundations is new. Giving is not new to the Kenyans because they have always given and continue to give through the

Box 6.4. Examples of KCDF Partners

KCDF has given two types of grants: grants to partners and grants to other collaborators. Partners are CBOs and local NGOs working with KCDF or promoting community development. Grants may be used for capacity building or community development by CBOs and NGOs; for NGOs to develop capacity to work with CBOs; or for capacity enhancement of CBO partners.

To date, KCDF has given 13 grants to different kinds of organizations countrywide. One of these organizations is Welfare Advisory Committee (WAC), which operates under Dandora Catholic Church and seeks to alleviate poverty among the urban poor in Nairobi. WAC's initial focus was on those families who had been allocated plots under the World Bank-funded site-and-service scheme but had been unable to develop the plots. After some years, WAC started to respond to other dimensions of urban poverty reduction through the Small Business Support Program, Community Organization Program, Youth Development Program, and Community Health Education Program. WAC is also acquiring skills from KCDF on report writing and bookkeeping, which will improve its performance.

The KCDF grant is used to enhance the knowledge and skills of the WAC staff and board through workshops, retreats, and educational visits; it promotes smoother operations through the provision of office equipment and transport; it facilitates community education through the purchase of communications equipment, support of the resource center and newsletter production; and it promotes sustainability through the provision for equipment rented out to various groups to unblock sewers.

The second grant is to SIMOO, which is a local NGO operating in a pastoralist area in Kajiado. This NGO covers three villages, each of which have their own village com-

mittees. The NGO works with these committees as well as other community groups, such as women's groups. Major activities include educating the community on agriculture and land management, developing water resources, improving livestock, and using folk knowledge.

The KCDF grant is used for staff training in areas related to management and administration as well as more technical areas (such as animal husbandry and business development), board development, training of community-based organizations in leadership and areas related to their sectoral initiatives, basic equipment and furniture, transport, and promotion of sustainability through a major steer fattening project. SIMOO is also funded by SNV and SIDA.

The third organization being supported by KCDF is the Makutano Community Development Association. This is a CBO founded through an initiative of local welfare association with a mission to enhance unity and empowerment of the local community. This CBO encourages the community to take collective responsibility in identifying and addressing specific and general development needs. Makutano Community Development Association is a membership organization, with membership from villages. This association covers 20 villages and KCDF support has helped to recruit a community development worker; train village animators (community mobilizer) to improve community mobilization; do project planning and management training for the executive board; and train the village development committee to consider various aspects of people-centered development and their role in community mobilization. In collaboration with the Kenya Rural Enterprise Program (K-REP), the association has been mobilized to create a village bank, which was launched in November 1998 and had 158 shareholders by the end of 1998.

harambee (self-help) movement. But harambee is money given to specific causes or people one knows, and not for general long-term community development.

The concept of endowment is new, hard to accept, and suspect because of the bad experiences that people have had with money given during harambee meetings. Further, keeping money and investing it for future use when poverty is increasing so fast is something that people do not understand. This is compounded by the fact that, traditionally, it has been the role of government and other donors to fund development. Lack of an enabling legal environment and a stable base of wealth poses real challenges for raising the large endowments necessary for these funds to have an impact on development. This same problem is faced by most CFs in developing countries, not just Kenya.

Another very important source of funding for CFs, especially in developing countries, is the private sector. But unlike their involvement in regions like Latin America, private sector involvement in community development in Kenya and in most African countries is minimal. The private sector usually gives to high-profile charitable causes like famine relief, not long-term community development. They also have very little connection to communities and their experience with NGOs has not always been positive, leaving most private sector organizations skeptical and unwilling to get involved in development issues. The possibility of raising public funds is also minimal because these governments are also looking for funding and view NGOs as competitors. The challenge for raising domestic funds is made more complicated by the fact that, historically, funds given for public uses have not necessarily been used for that purpose; most people are skeptical of fundraising for local development, let alone for endowment. The CF, therefore, has to raise awareness among Kenyans and private companies located in these communities of the benefits of KCDF. The organization also needs time to build its own credibility before people can commit their resources. The experience in Mozambique, which is poorer than Kenya, proves this can be done.

When it comes to raising funds from traditional donors, KCDF also faces a number of problems. Traditionally, donors do not fund endowments or local resource organizations. Furthermore, the concept of endowment is misunderstood locally. There is also a

lack of local capacity to develop effective investment policies that meet the objectives of the endowment funds.

Another consideration is that donors may prefer to give their money directly to NGOs instead of going through a new intermediary who is introducing new ways of funding community development. Also, KCDF is focused on capacity building, which is hard to sell to donors who most likely have other priorities. All this requires changing the way different groups do development, and this will take time. The development of a well thought out and understood investment policy is a crucial element for the success of endowment fund management

In spite of all these challenges, KCDF has real potential in a country where the majority of poor people do not participate in the development process meaningfully and where the lack of flexible funds forces NGOs to implement only the agenda of donors. There is also a need to address issues of accountability and transparency; historically, most NGOs and other civil society organizations have not been accountable to the communities they serve. These organizations are not empowered to address these issues; it is important that they build capacity to deal with other stakeholders like the public, private, and social sectors. Finally, communities in Kenya have assets that are not being utilized for development purposes, and decreasing donor funding is forcing many NGOs to think about alternative and innovative funding mechanisms.

Uthungulu Community Foundation

Community Foundation Development in South Africa

Community foundations are new to South Africa, but the concept of local foundations has existed for a long time as indicated by studies on foundation building. These local foundations had a collection of assets managed by administrators and created for a specific, generally charitable, purpose. However, they “did not support saving or investment associations among the black communities during the apartheid years, a situation compounded by policies that restricted growth in black areas leaving local philanthropy dependent on the “white-controlled” corporate sector and international

donors" (Chetty 1995: 2). During the apartheid years, a number of NGOs were formed to support human rights and, more recently, to undertake development activities. Significant financial contributions were made to these organizations, which were led by credible black leaders. The focus of these organizations was on developing and empowering the disadvantaged communities politically and economically.

Since the democratic elections in 1994, circumstances have changed, which has resulted in less funding for the NGO sector because new relationships could be forged with the new government. For example the anti-apartheid movement was funded by bilateral agencies (Dutch, American, and European Union) through Kagiso Trust to support NGOs and CBOs. More recently, this support has decreased significantly, which has had a profound effect on NGOs. The NGOs also lost human capital when many of the NGO leaders left to join the government or other new sectors.

The decline in international funding, changes in the nation's political climate, and a desire to democratize grant making so that the poorest people could have a voice prompted leaders to explore whether the CF model could work in South Africa. Three large private foundations, the C.S. Mott, Ford, and Kellogg foundations, supported studies on the possible role of community foundations in South Africa. It was felt at the time that the CF concept is particularly appropriate to a new emerging democracy, such as South Africa, with great disparities in wealth and relatively well-developed industrial and corporate sectors. In this context, CFs are perceived to be the appropriate model to (1) encourage wealthier people to give to the overall improvement of their communities; (2) build bridges between previously divided communities; and (3) achieve genuine community empowerment. CFs thus offer institutional mechanisms for redistribution and utilization of local resources. For these shifts to take place, a conscious balance must be maintained between pursuing financial resources and reducing poverty.

These studies confirmed the potential of CFs in South Africa, and the three foundations each made grants of \$250,000 over a three-year period in support of the South African Grantmakers Association's (SAGAs) effort to introduce the CF model. SAGA, established in 1995, is a membership-based organization composed

of national and international grant-makers; SAGA seeks to promote regional and local grant making. The funding will enable SAGA to assist local leaders, business-people, and grassroots groups from the exploration period through the start-up phase. SAGA opted to identify "incubator" agencies and key individuals with the potential to understand the CF concept and nurture the earlier process of awareness and mobilization. (Incubator agencies are either active or established agencies with long-standing development projects.)

In just over two years, SAGA has provided technical assistance and other forms of support to leaders of communities in South Africa who are interested in forming CFs in their area. This support includes: seminars, study trips, peer exchange and interaction, resource materials, formation of a database, facilitating links, social marketing, conducting basic data surveys, and doing situational analysis. This technical assistance program did not only ensure the training and skill building of the leaders, it also supported social marketing efforts to raise awareness of the CF concept among the communities. SAGA understands that it is in these same communities that resources, both human and financial, will eventually be mobilized. In July 1999, the first CF was launched; the following section provides a brief overview of the CF so far. The second CF was launched in June 2000.

History and Development of Uthungulu Community Foundation

The Uthungulu Community Foundation (UCF) was launched in July 1999 and is headquartered in the former strife-torn region of Uthungulu that comprises Umfolazi, Uphongolo, Nkandla, and Umlalazi subregions, and which straddles the northern coast of KwaZulu Natal. This area covers a total population of 3.1 million people with a growth rate of 4.2 percent per annum. The area is divided into 81 different tribal areas.

The Uthungulu Community Foundation was incubated by the reputable Zululand Chamber of Business Foundation (ZCBF) during its inception and launch. Even today, UCF receives support from ZCBF although it has been registered as an association. ZCBF was established to respond to floods that devastated this area in the late 1980s. It was then called the Zululand

Foundation, and it became the conduit for funds pledged by businesses to assist the homeless and reconstruct infrastructure because the corporate sector wanted the Foundation to invest in people and their communities. The primary goals of the Zululand Foundation included education, entrepreneurial development, and welfare. ZCBF was officially launched in 1994. To date, ZCBF has displayed effective business and community development partnerships. The mission statement of ZCBF is “to respond to the development needs of our greater community by facilitating partnerships and joint ventures and to build the capacity of the community to sustain themselves economically and to improve the quality of their lives.” Given its mission, ZCBF seized the opportunity to incubate UCF and has played a significant role in providing support for the UCF to establish itself.

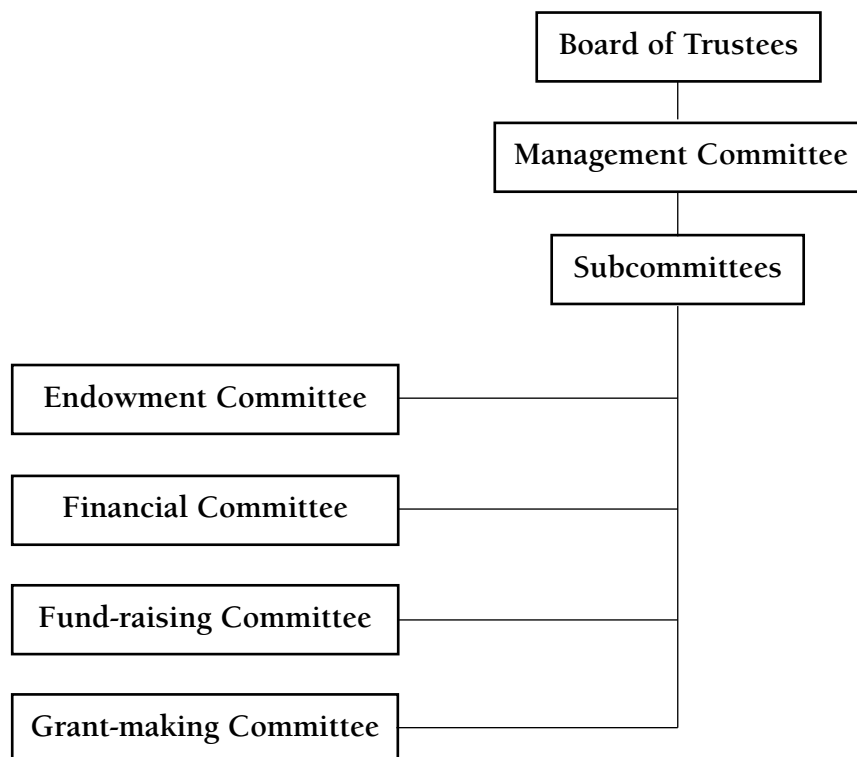
Starting UCF was a long process that involved consultations by the planning committee to establish whether this kind of institution was relevant for the Uthungulu area. After much deliberation it was decided that establishment of such an institution would indeed be rele-

vant in this region to address the acute disparities between people living there. The Steering Committee eventually selected a diverse board of directors that transcends racial boundaries. This board has 10 members and is responsible for policymaking and overseeing operations.

UCF has created a mechanism to ensure broad-based involvement of other stakeholders who are interested in the foundation. They are calling this the “public forum” and its main purpose is to facilitate exchange ideas and ensure transparency in the way the CF is run. The public forum meetings give the board an opportunity to provide feedback on new developments and forthcoming events.

The vision of Uthungulu Community Foundation is stated as “a community-driven organization that facilitates a process through which meaningful change and sustainable socioeconomic development is realized. Its mission is to harness available resources and to maintain a permanent endowment fund that enhances socioeconomic development in a transparent and accountable manner with all relevant stakeholders.” The organizational structure of UCF is shown in Figure 6.2.

Figure 6.2. Uthungulu Community Foundation Organizational Structure



UCF was the first CF among all the case studies in this text to be launched with a substantial endowment of 5 million South African rand. A total of \$500,000 came from the Ford Foundation, and Billiton Development Trust gave one million rand and has pledged a similar amount over a five-year period. Given the historical involvement of the sector in community development activities in Zululand, people in South Africa see great potential for corporate giving to community development.

Opportunities for Community Foundation Development in South Africa

A study funded by the C.S. Mott, Ford, and Kellogg foundations, and conducted by the Foundation for Contemporary Research, showed that community foundations in South Africa could act as a mechanism to bridge people and resources. South Africa is composed of fractured and divided communities characterized by extreme geographic separation and economic stratification. Clearly, apartheid successfully separated communities on the basis of race and purposely destroyed integrated communities. The CF concept provides the possibility of building bridges across these divided communities.

In spite of apartheid efforts to disrupt the sense of “community,” the study concluded that the struggle against apartheid also brought community members together; and this may be a force that can be tapped to address development needs. It is possible that CFs could reinvigorate that sense of community and connect citizens, NGOs, government, and businesses, and foster public and private partnerships. Further, the concept of trust and reciprocity is not new to South Africa as shown by indigenous groups of people helping one another and cooperating together. “The system of stewardship of land and resource by tribal chiefs or the role of the elders in arbitrating disputes over the distribution of everyday resources are central to traditional African legal systems, but suffered severe setbacks with the arrival of the white settlers and the imposition of Roman-Dutch law. Elements of these traditions still remain, adding depth to the social cohesion of communities and forming the basis of more modern self-help organizations such as stokvels (including burial

societies or makgotlas), investment syndicates or clubs, buying co-operatives and communal farming association” (Chetty 1995: 2). The traditional concept of “ubuntu,” which suggests that every person exists because of his or her relationship with other people (or broader community), can be built upon. Also, there is extensive giving to religious institutions such as churches, temples, and mosques, a concept that cuts across race, class, and culture in South Africa. These are the possible building blocks for the community foundation.

Community foundations in South Africa could become a means to achieve greater community participation at the local level by (1) promoting partnerships across sectors; (2) establishing a mechanism that encourages giving to address overwhelming local needs; and (3) connecting multiple divisions in South African society. CFs can play a significant role as the bridge builders of diverse communities and the mobilizers of community assets and resources for the common good of all.

The NGO sector in South Africa is changing, and both the study and the people who were interviewed have indicated that CFs have the potential to fill the gap left by the NGOs. Since the early 1990s, the NGO sector in South Africa has gone through significant transitions and has had to redefine its relationship with government and devise coping mechanisms to address the significant loss of NGO leadership to government and the private sector. Coupled with these changes in government relationships has been a dramatic reduction of foreign funds flowing to the NGO sector due to a shift in funding to the national government. This shift happened too quickly and did not give the NGO sector time to make the necessary funding arrangements. Many NGOs could not cope with this shift, and either closed down or had to significantly scale down their activities or change their focus.

After 1994, changes in funding and development patterns made the government a major player through its Reconstruction and Development Program. This happened at a time when the state was not yet in a position to deliver vitally needed services to disadvantaged communities. It became increasingly clear that “if the NGO sector were to continue to flourish and play a meaningful role in development and civil society at large, alternative sources of funding would have to be found. Equally importantly, a shift had gradually taken place

in developmental philosophy, placing greater emphasis on collaborative partnerships between the private sector, NGOs, and government, as well as a more holistic approach to community empowerment. It seemed that the time was ripe to explore implementation of the community foundation model” (this quote was taken from an undated proposal for the development of the community foundation model in South Africa from the C.S. Mott Foundation office in South Africa).

Key Issues and Challenges

New Concept

The concept of CFs is new in South Africa and is not fully understood by the participating groups. For example, local populations are expecting their government and donors to step up and help, so the expectation that local people will give money and time to this process seems contradictory. The new government also gave citizens false hopes that the situation was going to change overnight, which has not happened. Some of the initial programs facilitated dependency, which made it difficult for people to see their role, let alone give funds for their own development. This dependence, coupled with extreme poverty in the midst of plenty, does not present an environment where local people would contribute to development. And an expectation that people would volunteer their time for committee meetings at a time when unemployment is so high seems unrealistic.

Historically, some community development efforts in some of the provinces have been characterized by the misuse of community funds. Therefore, people are suspicious of anyone who talks about raising resources locally. This idea needs to incubate, and a lot of public education is required to change people’s attitudes, which invariably takes a considerable amount of time.

The process of developing these institutions can also create friction among the different stakeholders involved. For example, SAGA has chosen to incubate CFs in existing organizations. Most of these organizations know little or nothing about CFs and naturally want to influence the direction of CFs. The CF may also be affected by the image of the incubating institution. It is also not clear how CFs can maintain their own identity and be seen as a local independent organization when they are connected in this way.

Finally, it is important to point out that the expertise required to form community foundations may not necessarily be available even with a supporting institution like SAGA. Even if the expertise exists in other places, like the United States, the local dynamics are so different and complex that there is no formula on which to rely. The situation in South Africa is unique; it is not only influenced by lack of capacity, but also by social and political difficulties.

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 worse by strong and differing political affiliations. For example, the factors in Uthungulu are complex, and the ability to bring the different stakeholders to the table takes time and great skill. It is crucial to get the relevant stakeholders on board because each have resources and assets that will play a significant role in the success of the community foundation. Building trust across these differences is also very difficult and yet the community foundation cannot work without that trust. Again, the situation is so unusual that the emerging CFs have no experience to draw from.

Lack of Supportive Legal Environment

As in many countries, there are no tax laws in South Africa that provide incentives for individuals or corporations to give to the civil society sector. Although there has been some preliminary discussions on these laws, it is not clear how long these discussions will take and whether the new laws will provide the required incentives to release funds for community development. As it is, the existing laws are quite restrictive, which makes it even more difficult for CFs to select the appropriate mode of registration.

Challenges of Endowment Building

While a few endowments exist in South Africa, the CF concept is not fully understood because it is viewed as the decision between spending for current needs versus saving for the future. There is little understanding of how an endowment might be built or what the sources of funds might be. Although the Synergos Institute and SAGA have carried out two workshops, it is imperative

that CFs continue educating different audiences about the role of endowments. It is also critical that pilot CFs be transparent and accountable, otherwise community skepticism will interfere with their effectiveness.

Limited Tradition of Organized Philanthropy

While some forms of philanthropy exist in South Africa, there is no strong history of organized philanthropy, and the culture of giving for the social good by the wealthy is nonexistent. Encouraging giving by wealthy families and individuals has great potential in South Africa and could be a source of enormous resources for development and for the nonprofit sector. However, a lot of time and work will be needed to ensure that all the stakeholders see the benefits of getting involved in this process.

It is unclear that the significant corporate giving of the 1970s and 1980s will continue, especially given the fact that the government has embarked on a large development initiative and is seen as having the prime responsibility for providing public services like education, health, and housing. There is also a prevailing trend by the private corporate sector not to give as much to development in spite of the fact that they own over 80 percent of the resources. Getting corporations to change their attitudes and to give willingly and strategically is a challenge that community foundations have to address.

West African Rural Foundation

Historical Development and Governance Structure

The idea for the West African Rural Foundation (WARF) came about in 1989 at a meeting of donors, researchers, and leaders of farmers' organizations. The main reason for bringing these people together was dissatisfaction with outcomes of different rural development programs that had not fully addressed the problems facing rural farmers. It was also not clear what role the farmers and their associations were playing in the whole development process. This was confirmed by a federation of farmers' organizations whose representatives argued that farmers were not happy with the way support was being given. It was evident at this time that there was no link between research and the activities on the ground. Lack

of partnerships between different groups working in these areas had also precluded the effectiveness of programs (that is, the proper diffusion and adoption of improved technologies in agriculture and natural resource management). These discussions led to the following conclusions:

- Researchers and farmers associations needed to be linked. There was, therefore, a need for a methodology that would facilitate listening to farmers, formulating relevant development programs, and conducting research.
- The group decided to start a pilot project called the Local Support Project with the Ford Foundation providing money, International Development Research Center (IDRC) providing research and money, and Development Innovation Network (IREN) providing the legal framework for the project. This pilot project would support a program in five countries that share similar economic, cultural, and ecological structure: Senegal (program base), Mali, The Gambia, Guinea-Bissau, and Guinea

The Local Support Project, started in 1990, had as its objective to test and deploy participatory methods and institutional support mechanisms for local organizations in the subregion. According to various annual reports, the purpose of this project was to design and implement participatory methods and mechanisms in close collaboration with its partners; to promote the development of programs based on the use of participatory operational and research tools and techniques; and to negotiate financial grants for local organizations as well as for funding expert supervision and guidance. During the pilot stage, local staff were identified and trained, an administrative structure was developed and tested, and participatory tools for training, research, and action were also developed and tested. During this pilot phase, WARF's statutes and by-laws were crafted and a governing Board of Directors was established. WARF took over the activities of the initial pilot program in October 1993.

During its first years of operation, the main elements of the WARF strategy were to work with local organizations as key actors and to empower them with new skills and capacities; to support participatory action-

research programs; and to carry out training and diffusion of participatory methods. The means for these three strategic axes are, respectively, grants and training for the partners utilizing a series of learning experiences; grants and methodological assistance for participatory technology development; and short courses and methodological materials for diffusion.

In 1998, WARF conducted a participatory strategic planning exercise, involving its board, staff, local partners, and all stakeholders present in its region of operation. This process allowed WARF to evaluate its strategies and activities against changes in the environment and to define new orientations. Major outcomes of this process included WARF's decision to open up its partnerships to a wider range of players: decentralized state authorities, local entrepreneurs, grassroots farmer associations, and communities. The new strategic plan also emphasized the importance of positioning its interventions within the priority domains of democratically elected governments in the region. A new mission statement was formulated as follows: "To help rural communities find and follow a path of self-reliance. This comes as communities better appreciate the value of their local resources and gain the capacity to act effectively to realize that value." WARF, working with communities as partners, will bring about this transformation through these efforts:

- To analyze conflicts, constraints, and needs;
- To articulate a vision of the future and participate in its realization;
- To ally rural communities with others to their mutual benefit; and
- To mobilize the needed resources, in both finance and knowledge.

Four major program domains were defined for the new strategic plan for 1999–2003:

- Local governance;
- Rural entrepreneurship;
- Gender equity and development; and
- Regional integration.

It was decided to gradually open offices in WARF's other four countries of operation, and to maintain the extensive development and use of the regional net-

work of trained resource people and qualified institutions that can provide the needed support for an ongoing program in each country. Meanwhile, the plan made provisions for a greater institutional presence in each country, as Country Agreements are successfully negotiated with each government.

Governance Structure

WARF's governance structure has evolved over time as the needs of the CF have changed. During the pilot stage, a program committee acted as the steering mechanism; it had eight members, including farmers' association leaders, the Ford Foundations, IDRC, and IRED representatives. The staff was a team of professionals from Mali, Burkina Faso, and a consultant; the team leader was Senegalese. WARF's Board of Governors was formally set up in 1993, with six members from Senegal, Mali, and the Gambia. In 1995, the board added three more members to reflect the growing needs of the Foundation. Currently WARF has nine board members: three Senegalese, including the director; two from Mali; two from the Gambia; and one citizen of each of the other two countries. This board is still expanding to ensure that it has the necessary skills in areas like financial management, legal matters, and fund-raising. Board members are selected based on their professional status; location (each of the five countries must be represented); their experience; their success with good standing; and their interest in raising funds for WARF. The Foundation has four committees, namely strategic planning, audit and finance, legal, and investment. These committees are all drawn from the board. In 1999, the Board created an Executive Committee to expedite decision making between board meetings and to increase the involvement of the board on the development of innovative partnerships with the private sector. The Executive Committee is comprised of a representative of each standing board committee and the Executive Director. It meets as frequently as needed.

Program Development and Activities

WARF provides rural organizations with grants and methodology training so that they can better work with farmers and address farmer's problems. The

programs include grants for strategic planning; training in participatory methods supervised by WARF staff; multiyear institutional support grants; follow-up monitoring and advice; and linking grants to researchers and local organizations that conduct participatory research to develop and test sustainable agricultural and environmental practices. WARF's programming evolution and the need to respond to client needs resulted in the 1997 reorganization into the following units: Participatory Research, Organizational Development, Sustainable Development, Sustainable Development Strategy Analysis, Information and Communications, Management, and Administration.

During its first five years, WARF has focused on tackling the development problems of rural communities in the subregion by:

- Strengthening local organizations;
- Promoting and supporting participatory technology development in agriculture and natural resource management; and
- Training and diffusion of the participatory methods.

Capacity building is basic to all projects because WARF has to address issues like how local organizations can succeed and how to better reach the objectives of their projects.

Through the innovative use of grant making, technical assistance, and networking, WARF intends to achieve the following results:

- To create a set of tools, methods, and processes for developing innovations that can help local organizations improve agricultural and sustainable natural resource management;
- To establish a dynamic network of local organizations capable of supporting their grassroots constituents to identify problems, develop strategies, build partnerships, and define and implement action plans to work towards their solutions;
- To increase the capacity of communities and community-based organizations to enable them to participate more effectively and efficiently in building assets for better livelihoods in a sustainable manner; this includes establishing good governance and democratic succession procedures, and being transpar-

ent and accountable to members in all business matters;

- To fulfill WARF's objectives to strengthen intermediary rural organizations so that they are gradually able to reach a wider range of communities in their area of operation; and to expand the institution-building of rural intermediary organizations both in terms of the utilization of grant funds as well as in the use of staff time;
- To partner with communities so that they can identify their realities and potentials and relate with others; communities must the value of what they have;
- To build capacity for NGOs to work with communities to identify their resources; and
- To work with a regional network of experts to provide the methodological and technical supports needed by community programs underway in the region.

WARF offers local organizations products according to their level of development. Some of the products offered are outlined below:

- A participatory institutional diagnosis of the potential grantee organization's strengths, weaknesses, and program opportunities. After this phase, WARF and the organization might decide to move on to the next phase.
- A one-year strategic planning, stabilization, and training grant to cover certain operating costs and a series of workshops at the grantee's home base. Each workshop has an immediate practical outcome, such as a project plan, a research program, an annual budget, or the acquisition of the capacity to use a specific methodology. Again, WARF and the grantee might decide to go to the next phase.
- Planning grants to enable local organizations and grassroots groups to strengthen their institutional capacities (in terms of organizational structures, mechanisms for intervention, and so forth) and to identify and arrange the modalities of implementation of development program phases. The major challenge with this type of grant is the weak capacity of local institutions to readily qualify for more conventional sources of funds. Therefore, development

for this type of institution requires an initial investment in terms of technical assistance and funding. This investment is intended to allow for sufficient involvement of the targeted organization's membership in the development of program priorities and activities. Further, the technical assistance provided is tailored to the needs of the particular groups; its form, content, and length of engagement follow the stages defined in the partnership program.

- A multiyear institutional support grant to cover the costs of a program developed during phase-two workshops. These grants might cover as many as five years of the grantee's program, and contribute to the grantee's operating costs, along with other donors. These grants most often include a participatory agricultural and technology research program.

Research grants finance programs of participatory development through collaboration between rural producers, local organizations, researchers, extension agents, and WARF. The content and scope of these programs depends, to a large extent, on information regarding the constraints and opportunities emerging from the planning session. In most collaborative research action programs, WARF's objective is to leverage additional resources from other donors; an early investment in a participatory technology development program makes it more likely that others will join the partnership.

Grant-Making Process

The grant-making process is fairly lengthy because it requires empowering communities to identify their problems and the available local resources. It also seeks to build partnerships with other institutions working at the local level, including researchers. This process starts once local institutions submit their proposals to WARF. The process is also used as a tool to understand the applying institution and its environment better. So the grant development procedures include feasibility studies and participatory assessments of grantee organizations' strengths and weaknesses, and programmatic opportunities. For example, WARF staff do institutional diagnostics. The purpose of this is to assess what the

problem is and whether it is the community's problem. This process also identifies the opportunities, relevant players, and what needs to get done to fix the problem and by whom. Then a workshop is organized for negotiating, planning, and deciding the roles and responsibilities of different stakeholders and the different stages, including implementation.

WARF also uses Participatory Rural Appraisal (PRA) to do strategic planning and program proposal writing. These activities are conducted by WARF staff and local professionals. WARF also trains participating local organizations to improve accountability and the financial management system. WARF aims to strengthen the capacity of different organizations so that they can work with community-based organizations and their associations. For example, WARF is trying to link researchers with farmers to generate appropriate technology.

WARF also gives capacity to local organizations to negotiate with other actors on the ground. It facilitates the participatory process of research and diagnosis, and identifies constraints and negotiation of areas of intervention. This process leads to the development of the program WARF undertakes with specific organizations.

For local organizations and researchers not supported in the WARF grants program, WARF offers annual short courses in PRA and participatory agricultural research methods and procedures. Initially, a large portion of the grant may be from WARF but those funds are usually there to leverage other resources. WARF also offers technical services and can implement collaborative projects on behalf of some development organizations. Examples include natural resource management funded by IDRF in Guinea and Senegal and run by WARF.

Resource Mobilization and Building Endowment

WARF was initially funded by the Ford Foundation and IDRC. Currently, WARF is trying to diversify its funding so that it is not dependent on one or two donors. They have done this by securing their own institutional partners and diversifying their donor base, which was initially almost 100 percent from the Ford Foundation. That amount has been reduced to less than 50 percent; complementary institutional support is provided by IDRC. The remaining 50 percent comes from program

Box 6.5. Some Examples of Activities Undertaken by WARF

In Senegal, WARF is the technical executive agency for the \$10 million multidonor (led by the World Bank) Program to Reorganize Agricultural Departments and Producer Organizations (PSAOP in French). In 1997, the National Council for Consultation of Rural Actors (CNCR), the apex organization for Senegal's farmer association, invited WARF to play a major role in assisting them in this newly created forum for the implementation of the new agricultural policy. The government of Senegal and its relevant research and extension structures, as well as the donor partners, are collaborating on this program.

WARF's longest experiences with multiyear grants are from the 7A and the GADEC programs. 7A, a local NGO active in Kolda (south of Senegal), involves a program of food security, and GADEC is another NGO involving a program for the management of local resources by village communities in Tambacounda (Senegal). The scope of these programs provides models of local planning corresponding to decentralization and regionalization processes. Although these programs are costly, WARF support has enabled these organizations to leverage complementary funding from the European Union.

contracts (these are more restricted resources tied to a specific theme or area of program development); expertise (fee for services); and self-financing (evaluation, workshop facilitation, sales of publications and training).

While WARF has had considerable success in diversifying funding sources, raising endowment funds remains a challenge; however, different strategies have been put in place recently to facilitate local fund-raising. WARF has the same problem raising domestic funds that other emerging CFs have; raising funds is especially difficult in Africa where the donating tradition does not exist. This problem is further compounded by the regional nature of WARF, meaning that it has more boundaries to cross to convince people that an institution headquartered in Dakar can raise funds for one of the other countries and effectively run local programs. It is also important to point out that establishing an institution like WARF has taken a long time, which is why it was important to move to the next stage of fund-raising.

In the second phase, WARF plans to establish an endowment to provide secure annual income for financing a significant portion of its activities. This process has been facilitated by the Ford Foundation's commitment of a \$2 million endowment-matching grant. The Ford Foundation has also supported a study on raising endowments and has facilitated the development of a fund-raising strategy. The strategic plan for raising funds proposes two parallel programs of identifying donors. The first is aimed at traditional donors, and the second is aimed at partnerships with the private sector, government agencies, investors, and others who stand to

benefit in tangible ways from enhancement of WARF's programs in West Africa.

Opportunities and Challenges

WARF is a unique regional organization that tried a new approach to rural development. Through the use of participatory methods, the organization has helped build capacity of farmers to participate in development. It is hoped that this approach will break a long-standing tradition of dependency on donor funds and models.

WARF is clearly a regional leader on PRA, a process it has used not only to empower communities but also to build partnerships at different levels. It has, for example, brought NGOs in a specific area together to discuss how to best leverage each other's resources to maximize the impact of development at the local level. Through its grant, WARF has influenced relationships between NGOs and CBOs.

WARF has played a significant role in building and strengthening capacities of rural farmer's associations and CBOs in general. Its rural focus enables WARF to fully concentrate on issues that matter to a population often neglected. WARF has also helped link these institutions with donors and other interested stakeholders. WARF plays a significant role in making the voice of rural farmers heard by facilitating their influence in government policy. At the invitation of the main farmer's federation, WARF is helping farmers' associations to devise a strategy to reinforce local institutions and build capacity for them to negotiate with different partners,

including the government. WARF is also helping build the capacity of the National Forum for Consultation of Rural Actors (CNCR) to negotiate with the government on issues that affect them. This group represents nine federations with about three million members.

WARF has played a significant role in linking researchers and rural communities by supporting action research and research on innovative agricultural technologies. WARF utilizes the existing capacity in the region to serve local organizations. Utilizing networks of professionals, WARF is able to provide technical assistance to the region more effectively. Further, the CF enables people to deal with common issues along their borders and facilitates learning from different contexts in these five countries.

WARF faces a number of challenges; one challenge has to do with its regional nature. Working across boundaries and in five countries is difficult because donors usually fund country programs and not regions. The challenge associated with the regional nature of the CF is local ownership. A number of mechanisms need to be put in place to facilitate different countries to own the process and not feel that it is a Dakar-based organization; having one or two members from each country represented on the board is not enough. One other regional case study, in Eastern Europe, has adopted a structure whereby country directors deal with specific country programs. Others have CFs representing different countries or regions. These, while linked to the main foundation, have autonomy and have local directors, boards, and structures that make sense in the locality. It is important that WARF be viewed as a regional institution but with specific country representation and character if it is going to make an impact. WARF therefore needs to decide the appropriate structure needed to increase ownership and presence of the organization in these other countries.

Related to this issue of ownership is raising endowment. So far, WARF has not raised endowment and while this process is bound to take time, it will also require some form of ownership by different countries. This is particularly important given the fact that the endowment concept is new and it does not provide immediate benefits for people to see. People need assurance that these funds will eventually benefit their peo-

ple and there is no better way to assure this than having an accountable, transparent local institution that they can easily access and identify with.

Local institution-building also takes time, and this is difficult to do in one country, let alone five countries. The challenge, in this case, is to build the institution and at the same time reinforce the value of raising domestic funds. Another difficulty is the poverty and isolation in these countries. Poverty is rampant in most countries in Africa and raising funds requires creativity, which needs to be based on local realities. Some form of local ownership by communities is crucial.

To date, WARF has played a significant role in building capacity for farmer's associations; the next challenge will be translating this capacity to build assets that reduce poverty for the majority of rural poor people. Experience in other rural foundations (for example, Mexico) shows the need to fully engage government and private sector resources because the problem is too big to be handled adequately by one institution. Further capacity building should be clearly linked to resources if the CF is going to have an impact on reducing poverty.

Another issue linked with both poverty and endowment building is the lack of philanthropic mechanisms for community development. This does not mean that there is not a tradition of giving or of concern for society, but rather that societies in the five countries have never had an environment conducive to the growth of local foundations. For example, there is no established system of tax incentives in the context of high income and estate taxes that would encourage gifts to endow institutions or foundations. There are few individuals or families of means and inclination sufficient to set a precedent. According to WARF, CFs have no place to "plug" because there are no existing sources of wealth to tap. These problems are compounded by the fact that there are few indigenous institutions with a tradition of transparency to be credible enough to command trust from potential donors.

The goal, from both WARF's and its donors' perspective, is for an indigenous African institution to take responsibility for funding its own programs through partnerships with the local private sector and governmental agencies. Although challenges exist, the potential is there because governments in these countries need

partners to reach various groups of people with programs. The for-profit private sector needs a variety of nonprofit partners, and the nonprofit sector needs diversified, local sources of support for their activities. Each sector has capabilities that the other sector needs; in other words, needs that can be met through partnerships. For WARF to take advantage of these opportunities, it needs to assert itself more rigorously and publicly into the development community that still knows too little of its existence; to extend its operation within the sprawling five-country domain where its outreach is still quite limited; and to compete more aggressively in the arena of fund-raising, where donors still need to appreciate the great potential of a truly African foundation.

Another challenge for WARF is the lack of legal framework and incentives to donate funds. This is even more daunting because WARF has to address this challenge in each of the five countries because the situation is different in each one. Again, this effort is time-consuming but because WARF has an established program, it can now concentrate on being a regional institution and not just a Senegal institution.

At the institutional level of WARF, there are challenges in terms of governance and programmatic focus. For example, no member of the board of directors has had prior experience with developing local foundations, and it has taken time to build this capacity. This lack

of experience has been compounded by the geographic isolation of the board members and the infrequent contact with staff (the board meets twice a year), which limits the board's conceptual contributions. Another related problem is the fact that the board was founded after the CF itself was set up and running, and it still struggles to get representation from the private sector. The presence of reputable private-sector professionals is critical at this time when the Foundation has developed an aggressive fund-raising strategy. It is important to point out that the current strategic plan addresses some of these issues. For example, both the executive and partnership investment committees have been formed and a new board of governors from the private sector has joined the board.

At the staff level, WARF lacks national diversity; most staff members are French-speaking and from Senegal. If the CF maintains the regional focus, this must be reflected in staff composition as well. The issue of board and staff diversity has been recognized, and efforts are underway to address these issues as outlined in the 1999–2003 Strategic Plan. Another issue is the number of staff handling five countries. Given the growing demand for services provided by WARF, there is a need to get adequate staff to enable this community foundation to keep high standards and prioritize in a meaningful way.

7. Eastern Europe Case Studies

Healthy City Community Foundation, Banska Bystrica and Zvolen

Foundation Development in the Slovak Republic

The nonprofit sector in the Slovak Republic is relatively young but has grown fast; as of June 1998, there were 12,599 nonprofit organizations registered in the Slovak Republic. The sector has been growing in strength because of the apparent lack of support by the previous government, which forced NGOs to organize themselves. For example, they have a democratically elected representative whose mission is to defend and pursue the interest of the NGOs, and this representative explains and publicizes the role of this third sector. The third sector, or the Gremium as it is commonly referred to, has developed links with other sectors and has helped to create a better environment in which NGOs can operate. The Slovak Republic also has a donor's forum, which is an informal group of grant-making organizations that distribute financial resources to Slovak nonprofit organizations.

Like the other sectors of civil society, formation of foundations has been recent in the Slovak Republic. Prior to the passing of the Law on Foundations, there were 2,634 foundations. This law requires registration of foundations with the Ministry of Interior. The registration requirement is an attempt by the government to ascertain the activities, policies, and budget of each foundation. Under this law, 422 organizations have registered as foundations, 161 have been converted to non-investment funds,⁹ and 259 have registered as civil organizations; the remaining foundations have either been dissolved or are choosing another form of organization (Aserova and Thomas 1998: 13). This new law has also restricted the activities of foundations by

requiring that they spend 15 percent or less of endowment on administration, and by stipulating a minimum endowment of at least 100,000 korunas.

Banska Bystrica is located in the center of the Slovak Republic and is situated along the banks of the Hron River, surrounded by three mountain ranges. It is the third largest city in the Slovak Republic and has a local economy that is diverse and oriented to services such as education, banking, and tourism. The population of the city increased five times between 1946 and 1994, which created many problems, especially in the areas of environment and infrastructure. The Healthy City Community Foundation of the City Banska Bystrica (CFBB), created in 1992, was the first community foundation to develop an endowment and has been instrumental in supporting emerging foundations in the country and region as a whole.

Historical Development of the Community Foundation of Banska Bystrica (CFBB)

After the collapse of communism, the city of Banska Bystrica elected its new officials in 1990 and the new Council created a Healthy City Project under the auspices of the World Health Organization's (WHO) Healthy Cities Project. The success of the Healthy City Project led the local Rotary Club to formally establish the Healthy City Foundation in 1992; the foundation was charged with the task of raising funds, creating programs, and implementing projects to help improve the quality of life for Banska Bystrica's residents (CFBB 1996). The inspiration to form a community foundation came from the U.S. community foundations model and the local experience of a partially successful realization of the children's playground in the Sasova neighborhood; thus a decision to change the character of the foundation's

activities was made. This meant that rather than continuing to prepare and execute projects, the CF would support a wide spectrum of projects initiated by citizens. This change in focus took a year to complete.

The decision to form a community foundation was made after many discussions, explanations, and persuasions. Finally in 1994, the city of Banská Bystrica joined the foundation as a cofunder and contributed one million korunas; a new bylaw was approved, and a Board of Trustees was created. Given the history of the CFBB, members of the Rotary Club, the City Council, and activists from the Healthy City Project were given seats on the board.

The CFBB mission statement, according to the CFBB 1997 *Annual Report*, says that “the Foundation’s mission is to strengthen social assets, to improve civic participation in the search for solutions to problems in the city and surrounding region, and to improve environmental quality of life in the city and the surrounding region. This will be done through grants, advice and educational and cultural social activities.”

CFBB has twelve board members: three from the city of Zvolen, two from the local Rotary club, two from Banská Bystrica, and two from the Healthy City project. After one year, they decided they needed businesspeople on the board, and they increased the size of the board by three members. The representatives from three civic organizations will always be represented on the board and will be selected by their respective organizations. For the three board members selected from the private sector, the board identified the skills required by the CF and then got nominations from several people to make the final decision. Each board member serves a four-year term.

The board, which is in the process of adopting a new structure, will create four committees. These would include the executive and fundraising committees and two grant-making committees (one for Banská Bystrica and one for Zvolen).

Program Development and Activities

During the initial years, CFBB concentrated on building a good image for the foundation, gaining trust of the local citizens, and creating the endowment needed

for the long-term development of the foundation. Building trust is very important in the Eastern Europe context because of their recent history in which the state dominated both the social and political arena and citizens lost both self-confidence and mutual trust. For the new foundation to be trustworthy in the eyes of the citizens, and in order to be able to help meet the needs and problems of the city and its inhabitants, it was necessary to start a solid grant-making program. A solid grant-making program requires a fair and open selection of projects, technical and advisory assistance for the applicants in the period of project preparation, help towards successful realization, transparency of all the CF’s activities, and continuing publicity in local and regional mass media. To reach these goals, it was decided to make grants for the first three years on a quarterly basis, up to 8,000 koruna for citizens’ initiatives. NGOs and citizens were able to secure grants from CFBB on the basis of the submitted project.

The Board of Trustees awarded the grants based on how the project improved the cultural and environmental quality of life of the community; how the project strengthened citizen participation and cooperation; and the applicant’s capacity to realize the project.

In 1995, CFBB started the “challenge grant” program. This was established for applicants who were able to raise money for their projects from other sources but were also making a request to the foundation. The CF matched up to 10,000 koruna. In 1997, the Board of Trustees decided that any applicant who had received 20,000 koruna in project support from the foundation could only apply for additional funds through the challenge grants program. This was to encourage the group to diversify their funding base and reduce dependence on the Foundation.

In 1995, CFBB supported 61 projects, which included alternative energy sources, transportation, ecology, help for handicapped people, culture, nature, waste collection separation, neighborhoods, social areas, schools, sports, and special grants. This was a year of making contacts and building partnerships at the local, regional, and international levels, and a time for experiencing and learning. In 1996, the CF launched three new programs, including youth, neighborhood, and women’s programs. These were designed to provide more focused

Box 7.1. Even the Youth Matter

CFBB has targeted young people since its inception by making sure they are involved as volunteers in many of the activities of the CF. CFBB has mostly worked with high school students and has gone from one school to another telling youth about the CF, introducing the idea of philanthropy, and explaining how the students can be involved. The youth have their own advisory board with a rotating leadership, and each of the participating schools take turns every month. They have their own grant-making program, where they identify both the needs and the possible beneficiaries. There is now a group of 20–30 youth who regularly volunteer for the CFBB, and another 30–40 who do it occasionally. This process has empowered students to address issues that affect them and to do something about them.

The youth also received a two-day training seminar twice to discuss the psychology of giving and team-building. Youth are also very actively involved in fundraising and are fully involved in grant making. They have their own advisory board; they have a rotating leadership with each of the participating schools taking turns every month; and they can also use the computers, make telephone calls, and mail at the foundation. A notable youth project involves painting stones, which they use to raise both funds and

awareness about the CF. People are free to donate any amount to the CFBB, and in turn, to receive these painted stones. This is entirely a youth project, which they designed and are implementing.

The CFBB also has a project with elementary school children, who have an art contest. Each year the foundation decides on a theme (like drawing their favorite event from the history of their city). In 1998, there were 254 entries from 10 elementary schools. These are looked at by a panel of judges, who select the thirteen best. One thousand calendars entitled “by children for children” were printed and these included the picture of the artist on them. The production of the calendar is fully funded by the private sector, and some of the proceeds go back to the participating schools to support their art programs. The CF then organizes a big cultural event at the square where all the entries are displayed to sell. This yearly event has increased the number of friends and partners of the foundation.

The projects described here represent more than just raising funds for an activity. In its early years, the CFBB realized that for development to be meaningful and long-term, it must involve not only volunteers but families living in these areas.

support to activities within specific areas of the community. In 1997, the above programs were continued and the challenged grant program was introduced. In cases where the group could not raise matching funds, it could be supported for a maximum of two annual grant applications. For youth programs, CFBB involved the parents of these children and any other stakeholders that were relevant.

The CF's activities were initially in the city, but in the last few years they have included the surrounding 70 rural villages and a nearby city. Most of the people living in these villages work in the city. The villages have a distinct structure, which the CF seeks to fully involve in their activities. These include mayors, priests, schools, sports clubs, and retirees. The rural program gained momentum in 1997, and the foundation continues to try to improve the quality of life in rural areas. The program encourages mutual cooperation within villages as well as within the region. The citizens from rural areas are encouraged to participate in finding solutions to the

problems in their villages. The CFBB funds the improvement of public areas and the creation of cultural and recreational facilities in the villages.

Grant-Making Process

The grants given CFBB are usually small and amount to \$300 or less because the CF wants to support grass roots activities, which do not require a lot of money. CFBB also wants to match funds and not give the entire amount. Even schools have to match their grants, and they cannot be given grants for regular activities that the government should fund. The group requesting funding organizes itself, and it has to prove that it can implement the proposed project. Some of the funded activities include public meetings in neighborhoods, schools, club meetings, and so forth.

Grants are given on a quarterly basis and are usually advertised in the local papers. The maximum grant is \$300 because CFBB wants to support as many local

institutions as possible. The qualifying organizations submit proposals and those that have good ideas but do not know how to write a proposal are supported by the foundation or somebody paid by the foundation to help the organization develop a proposal. This has enabled CFBB to both build capacity and fund groups that have never been funded before. These groups do not have to be registered but do have to be organized with volunteers to implement the work because the group must take responsibility for implementation. The group gets half of the money at the beginning of a project and the rest after a brief report of what they have done with the funds up to that point. An evaluation is done when the project gets completed. The CF staff helps the groups realize the project throughout the process.

The requirements for grant applications include:

- Not-for-profit activities;
- Citizen involvement (the majority of the work has to be done by volunteers); and
- Impact on quality of life must be indicated (capacity to finish the project).

In cases where CFBB cannot fund a good proposal, it tries to link the group with other funding agencies. To facilitate this, the CF has a database of fund sources within the community. Also, when the CF helps with the funding proposal, the proposal stands a better chance of being accepted.

It is important to point out that, like other CFs, CFBB has a small staff of four full-time employees (one based in Zvolen), although it occasionally engages volunteers. In 1995, the CF office opened with two full-time staff persons, and soon a third person was employed. The role of the office is to receive grant proposals, to provide advisory assistance, and to keep active contact with grantees and voluntary organizations as well as individuals. Its other task is to secure financial support for the foundation from domestic as well as foreign sources. The office staff is in continuous contact with the mass media, preparing publications about the CF and administering grants and financial accounting.

Resource Mobilization and Building Endowment

Building endowment was at the core of the strategic goals for CFBB; it is necessary for the long-term stabil-

ity and development of the CF. It also allows the foundation to be flexible and to react to sudden and unexpected needs and problems within the community. Eventually, the interest from investment of endowment should cover part of the grant-making program.

The first success in fund-raising was a contribution by Banska Bystrica in the amount of 1 million koruna (\$30,000), when it joined the foundation. The first payment of this contribution, received at the end of 1994, made it possible for CFBB to start a grant-making program. Next and very important for the CF's development, was a substantial grant from the C.S. Mott Foundation (U.S.) for the years 1995–97 in the amount of \$90,000 to be distributed in the amount of \$30,000 for each of three years. The contribution for the year 1995 was provided without any additional terms; the second and third parts of the grant for the years 1996–97 will be paid out under the condition that a matching amount of money must be raised from other sources. Half of this amount, \$30,000, or 1,000,000 koruna, must be raised from local donors. Other funding sources include the Rockefeller Foundation, which gave \$30,000 a year for three years; the United States Agency for International Development (USAID); the Poland and Hungary Assistance for Economic Restructuring Programme (PHARE); and the Soros Foundation, which can only provide matching funds.

A grant from the National Forum Foundation (U.S.) allowed the director of CFBB to spend a three-month internship in several community foundations in the United States; this was as an indirect financial contribution. At the end of 1995, the CF received 4,000 British pounds from Charity Know How Fund (Great Britain), and 684,900 koruna from USAID for support of three new programs prepared for the year 1996; these were programs for youth, neighborhoods, and women. In December 1995, a local fundraising campaign was begun.

By 1997, foreign revenue sources amounted to 82.9 percent of total revenues and domestic revenue totaled 17.1 percent. In 1997, domestic revenue sources, which included both cash and gifts in kind raised by CFBB for individual events and programs, totaled 38,610 koruna. The CF turned to hundreds of people and small businesses for support, which has given it both visibility and credibility.

According to CFBB, fundraising is part of the ownership process and the foundation is committed to people to considering the CF as their own. CFBB has involved a lot of groups in fundraising, including youth, and it has been able to raise \$20,000 a year, which covers half of its annual budget of \$40,000. Raising adequate endowment is of great concern to the CF because it would enable them to tackle problems that it is not able to address now. Endowments would also give the CF the flexibility to address people's felt needs. Raising operating funds has been less of a challenge because, so far, the foundation has been able to raise a significant amount locally.

Initially CFBB had a general fund but since have opened several funds to target specific issues like environment, women, rural development, youth, and one for Zvolen. The foundation found out that it is easier to raise specific funds because people have different interests. For example, CFBB has encouraged people to start named accounts; to date, there are four named funds. The minimum amount required to start a named fund is \$1,000. One of the named funds is for working civil society organizations that perform training. That organization received the money but does not have mechanisms to manage it.

CFBB has started a Slovak Fund in the United States with the Greater Kanawha Valley Foundation, located in Charleston, West Virginia. This fund is for those donors in the United States who would like to make contributions to the CF.

Two-thirds of the funds raised in Zvolen were given as grants; and the remaining one third was put in endowment. Any unrestricted funds not utilized at the end of the year are put in endowment, and this is helping the foundation increase its endowment faster.

CFBB uses public events to raise funds and to introduce the CF. For example, in the summer of 1998, the Peace Corps supported an open garden for environmental education in one of the schools. The school uses this open garden during school time, and it is open to the public over the weekend. Similarly, at the end of each year, CFBB holds a reception for sponsors and invites the three best projects, which are picked by the board according to set criteria (impact, efficiency, and new approach). These three get an extra award, and allow the donors to meet with the grantees.

Most of the funding CFBB gets is unrestricted but it does have some designated funds (for example, for youth and environment).

Key Issues and Challenges

CFBB has played a significant role in strengthening the civil society sector by facilitating economic development. The CF has brought together partners that do not traditionally work in concert to transform their city. It has facilitated partnerships at all levels and has been very innovative in bringing in the youth of the city. Further, CFBB has brought visibility to organizations that were struggling and unable to get funding from donors. The CF has gone out of its way to support small organizations that sometimes have creative ideas but do not know how to actualize them.

CFBB has also linked donors with local groups and vice versa. In 1998 alone it wrote ten recommendation letters for local NGOs and CBOs for funding. CFBB is recognized as a leader for the civil society sector and is trusted by donors.

CFBB is clearly a leader in philanthropy in the area and has already helped start three other local foundations, and there are discussions for another three. CFBB has visited Hungary, Poland, and Russia to discuss the CF concept with interested groups. It continues to get visitors who are interested in CFs in a number of countries in Eastern and Central Europe. CFBB openly shares with new groups what it is learning and seeks to strengthen the network of CFs in the region.

Finally, CFBB has managed to raise endowment from all kinds of stakeholders and to raise most of its operating budget, including grants money, from local sources. The process of development has been inclusive right from the beginning, and it is paying off in many ways in terms of support.

While CFBB has been successful in raising endowment, it needs to raise even more funds than it is currently able to raise. While the CF has managed to raise funds from local businesses and local people, it still has a hard time getting money from big companies that are not in the habit of supporting the civil society sector. These large companies tend to follow the government's lead, and since the government that was in power until 1998 did not support the civil society

sector, those enterprises were reluctant to support the sector as well. It is important to realize that the private sector is very young and closely linked to the government. This presents problems for the civil society sector, which may not get the needed support; it seems to be that it is the government in power that determines the dealings with the nonprofit sector.

The Slovak Republic suffers from the lack of an enabling legal environment, and the current law makes demands on foundations that could greatly affect the sector. Although governments want to control endowments and foundations, they do not know how the sector works and they mostly get in the way. Furthermore, the same government has provided an investment climate that affects the growth of local foundations. CFBB is, for example, not allowed to invest outside the Slovak Republic, but the local banks offer very little interest. If CFBB invests in an institution other than a local bank, it will be taxed as much as 40 percent. Although CFs are growing faster in the Slovak Republic than in any other country in Eastern and Central Europe, these laws work against the small local foundations. It is, however, worth noting that the new government (elected in 1998) generally supports the third sector, and a new foundation law should be approved by the end of the year 2000. The government has involved foundations in the discussions about this law. Also, the parliament approved the tax law, which will allow individuals to give one percent of their taxes to nonprofit organizations. Further, if the new law is approved, the foundation's income, gift, and endowment earnings will not be taxed. These are important steps in the right direction, but governments still need to address the problems related to unstable political and financial environments.

Usti nad Labem Community Foundation

Development of Foundations in Czech Republic

The nonprofit sector grew rapidly with the fall of communism, and by 1997, there were over 48,000 nonprofit organizations. These organizations are registered under four categories: the majority are registered as civic associations (28,000); 3,600 are registered as groups; members of the third category are registered as public

benefit corporations; and the fourth category is foundations, which numbered 5352 by the end of 1997 (Aserova and Thomas 1998: 1). According to Aserova and Thomas, many of these foundations were established to raise money for a specific purpose or project, and some others operate their own programs. Only a few of these are real foundations that grant funds for nonprofit activities. To regulate the activities of this sector, parliament enacted legislation in 1997 that required each foundation to be registered with the local court and to raise a minimum of \$15,000 in endowment. This requirement led to many foundations changing their registration status. The law provided for a foundation to operate without endowment, but then all its income would be subject to taxation. The law has a number of other requirements that are not clear and therefore are subject to different interpretation by the courts who register the foundations; this creates unnecessary hurdles and expenses for new foundations just getting started.

According to the study by Aserova and Thomas, the fact that the banking community in the Czech Republic is in transition poses undue risks to local foundations. Many of these banks have nonperforming assets, and a few have been closed or liquidated. Many banks are unfamiliar with the concept of fund management "especially in regard to the endowments of nonprofit organizations" (Aserova and Thomas 1998: 7). Another problem is the small size of endowments, which is not attractive to banks.

Philanthropy for nonprofit organizations is minimal, although there are examples of generous giving by citizens. According to the study by Aserova and Thomas, "the reasons for this low level of philanthropy include lack of a culture of giving, the role of the state and church of taking care of social concerns, the state of the economy and the lack of incentives in the government policy. Currently, the tax code provides tax relief for individuals who give to nonprofit causes by allowing them to deduct contributions up to 10 percent of their taxable income. The limitation for corporations are two percent of taxable profits" (Aserov and THomas, 1998: 7). Since many people believe that the state is responsible for the social problems of society, those people believe that they should not contribute to these causes; or they believe that charitable giving is the responsibility of the church. Furthermore, the concept

of endowment is entirely new for most people, making it difficult for the foundation to attract endowment funds. Initially most of the funding for the nonprofit sector came from international donors, but this is changing and some of these donors are pulling out of Eastern Europe.

In spite of these difficulties, the need to increase domestic funding is evident, and there are potential giving opportunities that need to be explored. Although education regarding the CF will be required, there have been successful fund-raising efforts, for big disasters like floods. Further, the Parliament in 1992 decided to contribute a 1 percent share from the privatization process to endowments that would benefit the nonprofit sector. The first distribution was going to be for \$15 million while the second would be \$45 million. By the time of the study in early 1999, these funds had not yet been distributed. There is a very clear criterion for distributing these funds but most of the foundations will not benefit from these funds because they do not qualify.

Historical Development of Usti nad Labem Foundation

The district of Usti nad Labem is one of the smallest districts in the North Bohemia region. It has a population of 117, 834 inhabitants. The municipality has about 100,000 people, and it is the largest municipality in the region. The city is an important transport junction both within the region and internationally. The city is connected to Vienna, Prague, and Berlin by road, and it is a main railway and river transportation junction. It is also an important industrial center and has, in the past, mostly offered menial jobs.

The Usti nad Labem Community Foundation (ULCF) was one of the first CFs in the Czech Republic. The history of the CF dates back to 1993 when a founding group composed of experts who had been providing care for mentally ill people decided that a different approach to the needs of the mentally ill was necessary. This new approach would require partnerships between different service providers including the public, private, and social sectors, so they approached people from all of these sectors and suggested the possibility of partnership to address the issue of caring for the mentally ill. At this time, no strategy was on the table; it was clear that institutionalization was not working, and different people needed to be involved to change this.

Many consultations lead to the establishment of a regional fund with a self-selected board from public, private, and social sectors. The first project supported by this fund was community care for the mentally ill, drug addicts, and mentally handicapped people. The founding group endeavored to introduce the concept of community care, which integrates individuals into society and is more humane and economical than institutionalization. This effort resulted in the Project of Development of Social Services in the Region of Usti nad Labem, whose long-term goal is to change the management, planning, and financing of social services and to assess their quality and efficiency. Since 1993, the founding group has linked NGOs, core providers established by the city and state, local institutions (city, district, labor office, local social care, and health insurance offices) The fund had become the chief mediator of communication and cooperation between institutions and social services providers.

The board agreed on the activities to be undertaken. Eventually, it became clear that similar changes were necessary in other public sector programs, and that the founding group had both sufficient experience and skill in seeking system solutions, community-building, and problem solving. At just this time, a CEO introduced the group to the idea of community foundations based on a CF in the United States. The CEO met with 40 representatives from the city of Usti nad Labem who liked the idea of a CF. At the end of 1996, the group submitted a proposal to the C.S. Mott Foundation asking for the financial support to help create a CF. One of the attractions of the CF model was its ability to create resources for the future while addressing current local problems. The founding group requested a three-year grant to enable them to transform the regional fund into a community foundation. In 1998 they separated professional advisory services from social services, and founded a new organization called the Center for Community Work. This organization coordinates general social services for the city. Half of the original team works at the Center for Community Work while the others work at the ULCF.

The Usti nad Labem Community Foundation hopes for the following:

- To support various communities, interconnecting the public with the private, and determining the

needs of the community in Usti;

- To create opportunities for citizens, entrepreneurs, representatives of nonprofit organizations, and the representatives of the local administration so they could come to common visions shared by the whole community, and seek solutions to identified problems;
- To contribute to the solution of the present and future problems by acquiring financial resources and overseeing their distribution in the form of grants to the areas of culture, environment, education, social and health services, and local development;
- To support the projects and processes that lead to cooperation of institutions, NGOs, and the public, and create conditions for finding the needs, assessment of quality and efficiency, joint planning and coordination, economic financing, and mutual information sharing; and
- To initiate the projects and processes that unite the community, and promote and assist the nonprofit organizations that organize them.

Governance Structure

The ULCF Board of Directors is made up of important personalities from the area; for example, directors of state institutions like the labor office, health insurance companies, directors of local banks, and local enterprises and people from the private sector. The board has 10 members who serve three-year renewable terms. They meet three to four times a year, and have grant and financial committees that meet more often.

Program Development and Activities

ULCF has two priorities; the first priority is to use the experience from the area of social services and initiate similar processes in the other public sector areas. The second priority is to gain financial resources and to start creating endowment for the CF. The long-term goals for ULCF outlined in a concept note written in 1998 include: to assist in creating space for cooperation and support various communities that want to participate in community development, initiate and jointly organize the process of assessing the needs and problems of the community; to gain financial resources and become an economically independent foundation; provide grants

Community Development Foundations: Emerging Partnerships

to nonprofit organizations and civic activities; facilitate the process leading to improvement of environment, culture, education, social services, health care and general local development; and to facilitate initiatives which strive to involve the public in solving community problems.

There are two types of grants:

- *Closed grants:* These are donor-advised funds and are designated for a specific project or group of people. These are usually very small grants and could address an activity like funding the Mental Health Week program that now takes place in 25 cities in the autumn of every year.
- *Open grants:* The grant committee creates topics based on research. These are published in the local newspapers for those interested to apply. In the first year of open grants, there were 52 applications; 22 projects were funded with total grants of 470,000 korunas.

Resource Mobilization and Building Endowment

The Usti nad Labem Foundation has received support for three years from the C.S. Mott Foundation. It has also received some funds from the Regional Fund. ULCF has an endowment of 10 million korunas in the form of a building (recreational building), which was donated by a construction company in Prague. (The chairman of the board of ULCF used to work with this enterprise.)

The average yearly budget for ULCF is 3–4 million Czech krounas (part of this is spent on operations and the other on the grant program). The foundation does not want to get funding from the government yet because there is a lot of misunderstanding between community and the local government, and this misunderstanding could destroy the image of ULCF. They will, however, continue collaborating on other issues. For the CF to accomplish its goals, it needs to establish its own identity and credibility.

Key Issues and Challenges

ULCF has tried and proved that partnerships in development have better impact especially when programs target poor people. What started as one project has now

spread to other areas, and hence the need to start a foundation that targets most development areas.

ULCF was started to create links between different levels including public, private, and community groups, and it has done this with considerable success. These links have brought in funding that was not available for community development, and it has engaged people who would otherwise not have been involved.

This method of doing development also enables ULCF to target areas that need immediate attention, like the environment and youth, and to address the needs of the most vulnerable in society. Like most of the other CFs, this foundation is new but is already proving that things can be done differently, which has great potential in facilitating community-led development.

It is not easy to implement the U.S. model of community foundation because of differences in culture, traditions, and tax legislation; it will take ULCF some time to figure out what works in the local situation and what does not. This is a long process that may not necessarily be understood by many donors and other stakeholders.

The regulatory framework in the Czech Republic does not support foundations in a meaningful way. For example, the new law formed in 1998 limited the number of foundations in the country because of unrealistically high criteria, which made it difficult for most local organizations to qualify.

Communism destroyed philanthropy and made people very cautious. It will therefore take time for people to start seeing their valuable role and be willing to support a local institution. This transition is compounded by poverty, because even if people want to donate money, they may not have it, and this limits how much can be done with local resources. These factors make endowment building a daunting challenge.

Carpathian Foundation

Historical Development and Governance Structure

The history of the Carpathian Foundation, also known as the Fund for the Development of the Carpathian Euroregion, dates back to 1992 when the EastWest Institute (EWI) convened a meeting of local and region-

al leaders of the neighboring areas of five countries (Hungary, Poland, Romania, the Slovak Republic, and Ukraine). The discussion centered on methods to promote and enhance cross-border cooperation in the Carpathian Mountains and Tisza Valley. These discussions led to the establishment of an institutional structure of the Carpathian Euroregion composed of a council, secretariat, and several working commissions. It also led to closer border cooperation between local and regional governments, facilitated the opening of several new border crossings, and promoted the movement of people, goods, and services across the border. New cross-border networks of people such as the Association of Carpathian Region Universities and the Association of Regional Development Agencies in the Carpathian Euroregion were created.

Although these activities promoted intergovernmental cooperation and played a crucial role in establishing a framework for cross-border cooperation in this part of Central and Eastern Europe, they were not able to respond to the growing interest of local citizens, NGOs, and municipalities wishing to participate actively in cross-border and inter-ethnic cooperation. It became more and more obvious that cross-border collaboration was dependent on the strengthening of civil society in the Carpathian Euroregion.

The Carpathian Foundation was founded in 1995 by the EastWest Institute with generous support from the C.S. Mott Foundation; it was based on a bold vision to create a vibrant CF in the Carpathian Mountains to support citizen initiatives through local governments and NGOs. The idea to develop this type of foundation in Eastern Europe emerged from the belief that supporting democracy, economic development, and cross-border cooperation at the local and regional level is a cornerstone of a stable and democratic Europe. The Carpathian Foundation was created to address the following:

- To target rural and marginalized people because the economic situation in these areas has suffered; there is now the additional problem of high unemployment because most of the local industries have either been relocated or closed down;
- Most of the people in these areas are minorities with a significant population of Romany (Gypsy) people;

- Most of the money going to the NGOs is still concentrated in the capital and has no connection with rural areas and marginalized groups;
- Some of the regions are isolated because of poor or nonexistent infrastructure, especially in Romania and Ukraine.
- The Carpathian basin is ethnically mixed, culturally diverse, and characterized by economic underdevelopment resulting from its peripheral local and complex history of interstate and interethnic relations;
- After WW II, this region became part of the Soviet block, which installed fixed borders that separated people. This system also destroyed democracy, civil society, and civic engagement; and
- After the collapse of communism in 1989, people in the area wanted to reestablish cross-border cooperation.

These issues are reflected in the following mission statement: “Our main mission is to promote good neighborliness, social stability, and economic progress in the bordering region of five countries.” This mission is supported by the provision of financial and technical assistance to projects that result in tangible benefits to the communities on both sides of national borders, and which will improve the quality of life of the people in small towns and villages of rural areas in the Carpathian Mountains. The Carpathian Foundation works to revitalize rural areas by promoting integrated community development, and cross-border and interethnic cooperation.

The goals of the foundation include:

- Strengthening local democracy and the development of civil society by promoting local action with local responsibility and accountability;
- Enhancing the capacity of nonprofit and local government organizations to address community and regional needs;
- Promoting cross-border and interethnic cooperation, the sharing of information, and the replication of successful practices;
- Encouraging citizen participation in local and regional development; and
- Promoting cooperation between NGOs, local government, and businesses.

Governance Structure

The foundation started with an advisory board, which was mostly external because the concept of a local foundation was unfamiliar to most people. After two years, the board of directors was changed and then included representatives from each region. During this time, the policy of the foundation was decided, and a CEO and country directors were hired. Currently the CF has 15 board members, 10 of which are from the region (two representatives from each country). They have a rotating membership—two years with a maximum of two terms—and they attend three board meetings a year.

Programs Activities and Resource Mobilization

Program Activities

The foundation provides grants and technical assistance to grassroots NGOs and local governments, focusing primarily on economic development and transfrontier activities. It encourages the development of public/private/NGO partnerships, including cross-border and interethnic approaches that promote regional and community development to help prevent conflicts.

The CF maintains offices in each country so that country directors can closely monitor the projects it supports. This also allows people in the area—local politicians, staff of regional NGOs, and so forth—direct contact and access to the experiences of the foundation. The main administrative headquarters are located in Kosice, the Slovak Republic, with regional offices in the rural areas of Hungary, Poland, Romania, the Slovak Republic, and Ukraine. From this central location in Kosice, all CF activities are coordinated, grants are reviewed, and funds dispersed.

In its first three years of operation, the Carpathian Foundation provided grants to 280 organizations totaling \$1.6 million. Grant recipients ranged from local governments for conducting workshops on cross-border tourism development, to regional TV programs that document community development projects in mountain areas, to a Romany self-government that organized workshops on how local governments can better promote interethnic cooperation. Program staff prepare alternative proposals and the board discusses and approves them. The board makes decisions on grants more than \$2,500. The country directors play the key

role of maintaining contact with grantees, providing technical assistance, and short-listing proposals.

The CF has three programs, which include capacity-building, integrated rural development, and cross-border cooperation as outlined below.

Capacity-Building Program

The capacity-building program strengthens the capacity of local governments and NGOs to respond effectively to local needs. The three grant components include:

- Capacity-building grants of up to \$5,000 are awarded for activities that directly address local needs and simultaneously enhance the programmatic and management capacity of the recipient organization(s);
- Microgrants of up to \$2,500 are allocated for local initiatives; and
- Training and technical assistance of up to \$10,000 are offered to NGOs through third-party contacts with one or more organizations, providing a range of workshops on topics related to improving the management skills of NGOs and local self-government in the region.

Integrated Rural Community Development Program

The Integrated Rural Community Development Program is designed to promote larger multiyear projects, or a cluster of related projects linked by a consistent focus, in each of the five countries in the Carpathian Foundation. This multiyear community development program is based on local knowledge, culture, and resources, and it provides an example for others to follow.

The Integrated Rural Community Development grants are awarded to local governments or NGOs supporting projects that promote integrated rural development in small towns and villages of the rural mountain area (integrated rural community development is defined as environmentally and culturally sensitive, socially responsible, community-based economic development). Multiyear grants of up to \$160,000 were awarded.

Cross-Border Cooperation Programs

The Integrated Rural Community Development Program promotes transfrontier and interethnic cooperation in economic, environmental, and cultural fields; the grants

Box 7.2. Capacity Building for Romany People

The Romany people were greatly affected by the break from communism. The most dramatic change was that the new regime required skills in order to be employed. Many of the Romany people had very limited skills and are still generally discriminated against. Most of them live in isolation in the Carpathian Mountains, making it difficult to access whatever new skills are being offered. This change, therefore, meant many were unemployed, and for many, the resulting isolation was worse. Some of them started local organizations to try and address the problems affecting them as a group, but they could not get funding because funding agencies hardly knew anything about them.

The Carpathian Foundation funded one of these groups in 1995–96. Although the organization has existed since 1974, it had failed to get funding in spite of repeated requests. It serves a total of 13,000 people. A total of 9,000 Romany people live near the border of the Slovak Republic and Hungary. The organization was started by Lazlo Galyas, who had moved back to the village to change the fate of his people. The organization has a local name that translates to “brotherhood.” He started to organize these small groups and tried to encourage them to work together and

also with the local government. At the end of this training, many partnerships between different groups formed and discussed problems of community and tried to find the most important thing to start development. Three years ago they established microregional associations. This group established formal connection with the local government.

This organization received financial support amounting to \$100,000 from the Carpathian Foundation over a period of three years. The program is providing professional training in areas like handicrafts, house building, and technology development. Technology is very important for Romany people because it will reduce their isolation and give them access to work. They have already started a training program and a long-distance computer job network; with this they can work at home or at the center. Another possibility for them is to join the labor market.

According to the project director, the biggest challenge is to deal with everyday crises while having long-term development in view. The other challenge is accessing funding to continue supporting project programs.

are up to \$25,000. The program focuses on regional development between two or three partners and on economic development in several countries. The interethnic program provides grants for cultural activities and training programs to support different ethnic groups.

Resource Mobilization

The C.S. Mott Foundation issued a grant of \$4 million over a period of four years for grant making. The foundation started fund-raising one and a half years ago. It is trying to get additional resources and are currently targeting West European foundations. The Carpathian Foundation has also received some funding from the Open Society Fund and matching grants from the King Buidiu Foundation and from PHARE of EU100,000. The CF plans to approach national and international private foundations for more funding but the funding issue is one of the most challenging issues facing the Carpathian Foundation due to its regional nature and the fact that so far, it has been funded by international organizations only.

Opportunities and Challenges

Opportunities

The Carpathian Foundation addresses important regional development issues that are not being addressed by other organizations. There is also no other grant-making activity of this scale going on in the region. For example, facilitating cross-border grant-making and cooperation is an important step towards preventing conflicts and wars, easing ethnic tensions, and stabilizing the region during the transition to a free-market economy. This region has a long history of ethnic conflicts, which cannot be addressed by one country only. There is a need to connect the people and groups who have been isolated. These links promote good neighborliness, social stability, and economic progress in the bordering region of five countries.

The Carpathian Foundation also targets an economically underdeveloped area because of its peripheral location and complex history of interstate and interethnic relations. This area is often neglected and overlooked with regard to financial possibilities; distance from capital cities and a lack of knowledge about the region greatly hinder both domestic and foreign direct investment. Inadequate border crossings, poor

telecommunications systems, and underutilized labor also hamper economic development.

The Carpathian Foundation is funding activities that bring people together and stimulate partnership between different groups of people including religious groups. It is also bringing together the private, public, and business sectors on a cross-border level to address common problems.

The CF seeks to improve the quality of life of the people in smaller towns and villages of the rural areas in the Carpathian Mountains. Rural areas are being revitalized by promoting integrated community development and cross-border and interethnic cooperation. These activities promote cultural identity, which has not been addressed for most Romany people, who suffer discrimination in the region.

The Carpathian Foundation gives seed money to support local groups and intends to start a long-term development process. It has also supported very small groups that are unable to access funding from elsewhere. Most of the funding that came after the fall of communism has tended to stay in the cities, which leaves the rural areas marginalized and isolated at best.

Most of the country directors are from the region and have to work closely with the grantees to try to be part of regional life. They make links between different groups and try to create synergies among these.

Challenges

The foundation faces a number of challenges due to its scope and the number of relationships it has to manage. One of the main problems is that of operating in five countries that do not have a history of working together. The strict border crossings, even after 1989, created (and to some extent still do) a lot of problems for staff and other groups that want to work across the border. These countries are also all at different stages of development, and it is difficult to address the specific needs of each while making sure at the same time that the initiatives create or sustain cross-border relationships.

Traditional financial support by donors is country-based, not regional-based, which makes it hard for the Carpathian Foundation to get funding from both bilateral and multilateral agencies. Most countries do not usually think about their neighbors across the border; many countries also reject the idea of providing

support that may help people in the neighboring countries because of existing differences.

This problem is linked to the issue of ensuring long-term financial sustainability for the Carpathian Foundation. So far, the major source of funding is the C.S. Mott Foundation, and because of the nature and magnitude of the problems to be solved, other donors have not come forth to provide more funding. Furthermore, most organizations are not used to working in partnerships and so are reluctant to support initiatives created by other groups. So far, the CF has been unable to raise significant resources from other donors. Another related problem is that CFs has been unable to raise funds from the private sector. The private sector is new in these countries and has no history of working with local groups; as for a local foundation, they are leery because CF is a new concept in the region and it needs to establish a track record before it can be seen as trustworthy for funding.

Although the Carpathian Foundation maintains the objective of involving different stakeholders in the development process, this is a very difficult task. For example, the previous government in the Slovak Republic was opposed to the NGO sector and hardly gave the CF any support. All efforts to ensure government participation were unsuccessful and this, to some degree, affected private sector support because there is a very strong link between the public and private sectors in most emerging democracies.

Privatization in these countries lacks a strong entrepreneurial elite, and the sector is unstable making many people leery of participating in philanthropy, especially in a country where the philanthropic tradition does not exist. Further, tax deduction incentives are inadequate. Other problems regarding the concept of philanthropy is the bias against the idea of volunteerism because it is associated with forced labor that existed during the communist era.

Although some tax deduction incentives exist, they are too small to make any difference. But the local people are giving small amounts of money for the public good, and this something to build on. There is also no tradition of philanthropy in the region, and the rich do not feel the need to support local communities. Further, the concept of a community means different things to different people in the region and especially among those who have been isolated from interacting with other groups for a long time.

The mountain people are isolated historically and geographically by bad roads and lack of infrastructure. They have a strong sense of community but this also makes it difficult to relate to outsiders. The lack of the necessary infrastructure makes it difficult and expensive to operate in these isolated places; and the Carpathian Foundation lacks the necessary funding to build the required infrastructure.

8. Latin America Case Study

Oaxaca Community Foundation

Context and Historical Development

Although indigenous communities have practiced mutual assistance for a long time, and wealthy individuals have created private foundations, the culture of philanthropy as it is known in the United States is uncommon in Mexico. The reduction of government funding to address local community needs in recent years has, however, led to a search for alternative funding for community development. Community philanthropy seems to present some possibilities because there are existing traditions of giving in the country. In recent years, community philanthropy has received considerable attention, especially since the establishment of the Mexican Center for Philanthropy (CEMEFI) in 1988. This membership organization promotes philanthropy through broadcast and printed media and alliances with other institutions. It has, for example, supported community foundation–like organizations in Mexico and played a significant role in establishing the Oaxaca Community Foundation.

Because of the long-standing traditions of giving among certain groups and of private foundation establishment by business people, Mexico has the potential to grow vital community foundations. Although the foundations established by businesspeople are not necessarily community-based, they represent this tradition of supporting community development efforts. The contribution to community foundations is evident in the Oaxaca Community Foundation, which receives 40 percent of its funding from the private sector. The following sections will look at the development of the Oaxaca Community Foundation, specifically the governance structure, program activities, and sources of funding.

A brief discussion of the activities of a few of private foundations visited will also be outlined in this chapter.

Oaxaca is located in Southern Mexico, and it is the country's second poorest state, after Chiapas. It has one of the country's largest indigenous populations (around 68 percent), with 30 percent of the state's residents belonging to the Mixtec, Zapotec, and other Indian groups. About 42 percent of them are illiterate and 75 percent live under marginalized conditions. There is a significant gap in income between the rich and the poor (30 percent of the poor living in extreme poverty) and a very limited middle class. Over 50 percent of the population has not completed primary school and only 5.2 percent of the indigenous population has proceeded to middle and higher education. It is estimated that 50 percent of the state's population has no access to primary health care. This situation is even worse for the vulnerable and marginalized populations like children, youth, and women. These issues are further aggravated and maintained by poor basic infrastructure, which leads to a low rate of investment.

The history of the Oaxaca Community Foundation dates back to 1995 when, with the support of international foundations, civil society organizations and business leaders from Oaxaca and Mexico City agreed to a joint framework and a common set of values, missions, and goals for the creation of a community foundation to strengthen civil society. This agreement developed out of the desire to promote a more pluralistic, harmonious society in Mexico through the vehicle of community foundation, following the Chiapas uprising in 1994. Although the initial focus in 1995 was on both Oaxaca and Chiapas, attention was shifted to Oaxaca because Chiapas was too unstable at the time. The organizations involved at this initial stage included the MacArthur, Ford, Kellogg, Rockefeller, and

International Youth foundations; the Mexican Center of Philanthropy, and prominent Mexican social and business leaders. After a number of discussions, the Chairman of Commerce in Oaxaca was chosen to lead this initiative. The chairman chose other people in the local private sector to work with. After a few meetings, they decided to invite three NGO leaders from Mexico City and four from Oaxaca in December 1995. Three broad-based workshops were organized by the International Youth Foundation (IYF) (one) and CEMEFI (two) to discuss the CF idea further. By the end of 1996, the group had agreed on a vision, on goals, and on the method of constituting a new board. The process of establishing the CF took time because this was a new concept, and with a large board of 25 members, there were many interests to balance. In spite of these difficulties, the CF started implementing some programs in 1997. A new director was also hired at the end of 1997, and he was able to raise operation funds and start making grants.

The mission of the Oaxaca Community Foundation is “to promote the participation of the civil society in improving the well being and standards of living of the vulnerable and marginalized sectors of the Oaxaca community by means of initiatives that generate fundamental and lasting change.”

The main goals include:

- To raise and channel resources efficiently and transparently to the initiatives of the civil society of Oaxaca;
- To strengthen and promote capacity building of local civil organizations;
- To encourage a culture of social responsibility; and
- To ensure the strength and permanence of the CF's programs.

According to the CF, the values motivating them include:

- The belief that strategies for improving the standards of living should be based on the premise that poverty is a complex phenomenon that varies according to geographic areas and is modified over time;
- The belief that the model of social development for a community should be based on the dignity, identity, and autonomy of its members;
- The belief that participatory and inclusive decision-making is a prerequisite for making a positive and

lasting social impact; and

- The belief that the CF should give priority to the causes of problems, rather than their effects.

The CF plans to achieve its goals by:

- Gathering resources from various sources and mobilizing them strategically toward the targeted vulnerable populations;
- Having in place inclusive, innovative, and effective programs that are oriented to supporting civil society organizations with which they share a common goal;
- To improve the well being and standard of living of the Oaxacan community; and
- Generating spaces for analysis and consensus regarding community strategies among the various social sectors.

Governance Structure

The Oaxaca Community Foundation has seven structures, including a partners assembly, a board of trustees, a consulting council (created in February 2000), an executive committee, and the analysis and finance committees. The operations level has three units: the office of the executive director, the office of programs, and the office of social responsibility.

The partners assembly includes prominent Mexican businesspersons and leaders, plus international foundations, including the IYF, the John D. and Catherine T. MacArthur, Kellogg, Rockefeller, Ford, and Inter-American foundations. This number will continue to grow because board members whose term ends can join the partners assembly and continue supporting the CF. This is a creative way to continue benefiting from the expertise of those who have served on the board and also to strengthen their continued link with the foundation.

A total of 25 board members were selected, and a legal constitution was signed in December 1996. A coordinator was hired, and by March of 1997, all the legal documentation was done including those for tax exemption. The newly selected board met in March 1997 but the people barely understood the community foundation concept and had different perceptions on what a

local foundation should do. The disagreements led to the resignation of some of the members, including the president. After this, a new board had to be convened and the selection process of a new director was started. The director was selected in 1997, and currently the Oaxaca Community Foundation has a board of trustees with 20 members. The board of trustees mainly deals with the mission of the CF and any political issues that arise.

Given the large size of the board and the varied skills of its members, the CF decided to adopt a committee structure; it chooses members for the three committees based on their expertise. The executive committee has seven members and mainly deals with finance issues. The analysis committee is responsible for the analysis of developmental strategies and decides the best way to support the different issues that arise; the analysis committee also gives direction to the program and works closely with the executive director and the program director. The committee is currently trying to improve the criteria for supporting projects. The committee structures are connected to the programs of the CF through the program director who does the initial short-listing of proposals and then presents the list to the analysis committee. The committee in turn short-lists the proposals and presents these to the executive committee to make final decisions. If there is disagreement on the list of priority projects, the whole list is presented to the board of trustees to make the final decision.

The board composition includes people from the business sector, social sector, and academic and professional sectors. The people from the business sector include two local businesspeople and three from the national arena. The social sector includes three local NGOs, national NGOs (CEMEFI and an environmental organization) and a few international foundations. Those from academic or professional sectors have varied backgrounds, which include finance, culture and museums, communication, and marketing. In total, eight people are citizens of Oaxaca, which is a big change from the original board that had very few local people.

Program Development and Activities

The first program backed by the Oaxaca Community Foundation addressed a natural disaster, hurricanes

Pauline and Rich, in October 1997. The CF raised \$30,000, made grants, and provided other necessary funding to local NGOs to support victims of the hurricanes. In December of 1997, a bank in Mexico City gave the CF \$415,000 to rebuild a school in Santa Maria Colotepec. Apart from being hit by the hurricanes, this area had very few schools, and children had to walk long distances to get to the nearest secondary school.

After responding to the emergency, the foundation started making grants to local organizations in 1998; in 1998, the CF made seven grants; in 1999, it made sixteen grants; and plans to make 39 grants in the year 2000. The CF supports two kinds of programs that aim at supporting multisector alliances: capacity development for nonprofit organizations, and the promotion of a philanthropic spirit among the state's business and affluent residents. The first program targets certain populations like children and youth, women, and microregions. The microregion project mainly targets isolated groups that may not necessarily be reached by regular programs. To implement its programs, the foundation usually uses the existing local NGO capacity. Since NGOs working in these areas are few and may lack the needed capacity, the CF identifies the NGOs working in these areas, and meets with them to decide on how to work together more effectively. The CF usually asks the NGO to do a diagnosis of the area and then together, they build a project to address some of the pertinent issues in that area. Other than the local NGOs, the CF also uses the expertise of the board members to identify marginalized areas and issues to be addressed. This is effective because most board members know these areas from previous work or other connections. The CF has two funds to support these three areas; a total of 85 percent of the funds are being used for project support and 15 percent for capacity building, which includes activities like research, round table discussions, and different forms of information dissemination.

The second set of programs addresses strategies for development and includes intersector alliances, civil society reinforcement programs (strengthening capacities), and social responsibility programs. Intersector alliances aim at improving the collaboration between private, public, and social sectors, and support projects with potential for trisector alliances. The Oaxaca Community Foundation has, in particular, encouraged

Box 8.1. Examples of Projects Supported by the Oaxaca Community Foundation

Helping to Get the Street Children off the Streets: The Oaxaca Community Foundation supported Centro de Apoyo al Niño de la Calle (CANICA), which works with children aged 5–19 who live and work on the streets. The program helps children rebuild their lives by providing education, personal development, counseling, and access to social services. CANICA's goal is to reintegrate the child with their family or foster family, and to get the children back to public school. Before children are permanently settled, they stay in half-way houses run by CANICA and staff who provide intense attention to children regarding discipline, self control, sharing, planning and completing tasks, and

communicating with others. CANICA has a separate program for children who live at home and work in the streets.

Supporting Comprehensive Community Development: The CF is supporting Centro de Desarrollo Comunitario Centeotl to provide technical training in environmentally sound agriculture, vocational skills, and culture. This program also offers citizens a revolving fund for savings and loans and assistance in developing microenterprise. Their goal is to reinforce indigenous culture, preserve the environment, and generate income in the community. Young people play a key role in this organization.

partnerships between municipalities, NGOs, and the private sector to strengthen these links. The foundation plans to pursue its alliances with other institutions to address community issues, play a convening role, and conduct research.

In the second program, the strengthening of capacities refers to the institutional and individual capacities of local NGOs. The social responsibility program, which is the third program of the Oaxaca Community Foundation, targets all sectors and aims at raising awareness and funds. With this third program, the CF promotes values, beliefs, and involvement of different partners. The objective of this program is to try and see how different partners approach change. They are targeting the issue of change because there is a need for structural changes for programs to benefit the poor. The CF strongly feels that poverty is a complex issue that cannot be approached in a simplistic manner. Poverty reduction requires a number of partners because lasting change can only be possible if each organization plays their part.

Resource Mobilization and Building Endowment

Although most funding for the Oaxaca Community Foundation has come from international private foundations, a significant amount has come from the Mexican private sector. To date, the CF has raised \$30,000 from businesspeople and \$415,000 from banks in Mexico. It has also received funding for three years from a number of international private foundations.

The foundation has an endowment of \$100,000 and \$400,000 for programs. In 1998, it got 60 percent

of its funds from international organizations, 39 percent from national sources, and one percent from local sources; the CF is working towards reversing this situation. The national sources include funds from the stock exchange and banks; a small amount was from individuals, and one of the board members donated office furniture worth \$50,000; other donations in kind included materials and labor for renovating the foundation office (a local architect did the renovation drawings free of charge). In 1999, funding from international private foundations remained at 60 percent because most of the donors gave funding for three years. Funds from national sources decreased to 29 percent while local resources increased to 10 percent (this was mainly in terms of time and talent). Plans for aggressive local fund-raising are under way. In 1999, the CF developed some fund-raising tools, which included an institutional video, written materials, and newspaper space; and the CF has been offered TV airtime for information dissemination and fund-raising activities. It has also developed a Web page that is now online.

In 1999, the CF started a fund-raising campaign that had four objectives: involving owners of companies and businesses in development initiatives; promoting social responsibility by sensitizing people to the importance of their participation; making visitors to Oaxaca aware of their situation and asking for their support of the CF; and generally, raising funds for the foundation.

In the first month, the CF was able to get five hotels involved, and it has already raised \$800 plus the 30 percent match from these hotels (totaling \$1,004). It is

currently reviewing the campaign to see what needs to be improved, and how to build on lessons learned. The CF is planning to reach five new hotels every two months. This campaign is to benefit the development of children and youth—priorities identified by the local people and supported by the hotels (the hotels indicated that this is a project they would give priority to in terms of funding). The CF hopes to raise funds for other development areas. The CF targets many businesses, and after they finish their campaign with hotels they plan to target restaurants and other tourist sectors.

Through these activities, the Foundation is promoting values, beliefs, and involvement through the Social Responsibility Initiative. This initiative is meant to produce resources of three types: time, talent, and money. The focus is not just to raise money for the CF but also to improve the visibility and capacity of NGOs and other civil society sector organizations in such a way that in the future, they can directly access resources by themselves. The CF also wants to link those who want to work with groups at the local level. The idea is to create space for different kinds of people to participate in development. This will, for example, link donors with projects, NGOs with communities.

Opportunities and Challenges

Opportunities

Although there are many private foundations in Mexico, Oaxaca has one of very few locally run CFs in the country. The Oaxaca Community Foundation is focused on a specific poor area of Oaxaca and has programs targeting vulnerable groups, including isolated indigenous people. The CF is also strengthening existing local capacity and has, as one of its objectives, increasing the visibility of the work of NGOs. NGOs and other local organizations are very important to the CF in terms of informing its agenda and implementing it. These efforts will go a long way to strengthen and build local institutions that can effectively address poverty in Oaxaca.

The Oaxaca community is fairly fragmented, and is composed of 16 ethnic groups who do not necessarily work together. The community is not easy to penetrate, and local people take a long time to accept outsiders. A local institution that understands the dynamics

of this community and appreciates its diversity would go a long way in bringing people together around common issues. This is a role the CF hopes to actively play. The philanthropic nature of the CF also hopes to tap existing traditions like active participation in traditional giving. This participation would be an asset for the CF which views common issues like community development as a real opportunity to unite people.

The formation of the foundation allows for partnerships with local stakeholder groups. Historically, local institutions and government do not usually work together, and they do not always work for local people. Also, NGOs do not usually engage the growing middle class in their development efforts. The CF, therefore, hopes to link all of these different groups and to encourage their participation in the development process. This is a very challenging task, and it partly explains the difficulty the foundation has had in getting established and gaining local support.

The CF is also forging partnerships with local people and businesses by involving them in the activities of the foundation. Although the involvement of the private sector in development is not new, most funds come from Mexico City and do not necessarily involve local people. The CF, through its social responsibility program, is educating different stakeholders to get involved in community development in various ways.

Challenges

The Oaxaca Community Foundation has faced a number of problems; many of them have to do with introducing a new way of doing development. For example, the idea of starting a community foundation involving the private sector produces a number of problems regarding the control and management of the institution. The involvement of the private sector without the involvement of local people made it difficult to bridge the gap between the new institution and local people. Given the diversity of the community and the large number of ethnic groups, the issue of local involvement is very important, otherwise the foundation remains isolated from the people it expects to serve. There were also many sensitive cultural and political issues and those needed to be addressed first.

Some of these issues are presaged by the difficulties the foundation had in getting a board to agree on the issues it should address and how the community foundation should be run. These difficulties were compounded by the many board members and their many different views and perspectives. Although the new board has devised a way of tapping the resources of a large board, it took the new foundation a long time to sort out these issues. The Oaxaca Community Foundation start-up process was also long because of these issues, and were it not for the commitment of the founding members, the CF would probably never have been established. The resilience and vision of a number of board members who wanted to see the situation in Oaxaca changed played a significant role in supporting the CF through these initial hard times. There was also a clear commitment to involve local people, and this caused part of the delay; however, it is an important issue in terms of the long-term development and ownership of the CF. These issues underscore the importance of a committed local leadership that is willing to work through difficulties to establish a locally owned and controlled institution.

Another start-up challenge had to do with getting an appropriate director for the CF. The first director was appointed by a board that had a large representation from the business sector. Although the first director represented business interests, he lacked adequate community development experience. He was also from outside Oaxaca and did not know the important key players in the NGO sector, and he did not have links with local communities. This made it very difficult for the director to start operations at the local level, and it significantly delayed the process of starting the foundation. A new director from Oaxaca was appointed in 1997 and since then, the CF has raised funds and made grants. This process in Oaxaca underscores the importance of getting the relevant kind of staff who understand the local situation and are able to balance both the internal and external interests and—at the same time—promote local ownership.

The Oaxaca Community Foundation faces the same challenge that most CFs do: raising local funds, especially for endowment. Many national and international funds have come in, but this is not the case for funds from Oaxaca. It is, however, worth noting that the expe-

rience with the hotels in Oaxaca is promising, but more has to be done to harness community, individual, and local private sector resources. As in most of the case studies, people seem to be willing to give resources to specific projects, but not for of raising endowment; the CF has to find innovative ways to educate people on the benefits of giving to an endowment.

While involvement of the private sector in this CF was commendable, it had its own challenges. For example, it was difficult for the private sector to value local involvement and ownership; their decisions only considered the interests of the private sector. This created problems from the very beginning, which led to some people resigning from the board. Further, most of the people from the private sector were not linked with local issues and groups, which made it difficult to link with existing development activities, further delaying the process. It is also difficult to separate politics from the private sector because most powerful businesspeople are also politicians or are part of the political system, which makes it hard for them to take a neutral stand on development issues. Other potential areas of conflict are between politicians and NGOs because some are working on human rights issues and others focus on conflicting issues.

Another challenge of the foundation is that the concentration of NGO activities is higher in some regions than in others. For example, most of the 70 NGOs working in Oaxaca concentrate their efforts in the central region, leaving the rest of the state without much support. This poses undue challenges to the CF, which is committed to working with poor people and especially those in the microregion where NGO activities are limited. The few NGOs that may exist in these regions are weak, and the CF will have to invest in capacity building to improve them, which takes time and money. The lack of strong NGOs is compounded by the many different ethnic groups that are not used to working together. Most of these groups do not even speak the same language. Further, the environment is politically sensitive, making it very difficult to get people to work together or even devise common goals. While the CF is aware of all these issues, it will take them a long time to devise a strategy that meets the needs of the different groups while maintaining local control and ownership.

A Brief Discussion of Other Local Private Foundations in Mexico

Apart from the Oaxaca Community Foundation, five private foundations in Mexico were briefly visited with the aim of understanding their activities and whether they bear any resemblance to community foundations. The main differences were found in areas of governance structure, areas of operation, and the mobilizing and building of endowment. For example, the CF focuses on a very specific geographic area with a governance structure that includes local leaders and business people. The programs of the CF are locally determined with a large input of local NGOs and CBOs. The composition of the governance is broad-based including both local and international members. Further, the CF focuses on local philanthropy and building endowment. As indicated in the following discussion, the private foundations visited are significantly different but have the potential of supporting the Oaxaca Community Foundation if partnership activities could be funded. A total of six private foundations were visited; all are located in Mexico City. The following is a brief description of their activities.

Mexican Health Foundation

The Mexican Health Foundation was started by six businessmen in 1985. These men invited the government and other private sector individuals to participate; and initially they benefited tremendously from the debt swap. They have since restricted their activities to health issues countrywide. The foundation works closely with the government and has significantly benefited from health sector companies in the country. It also has a health sector human resource development unit, and it is helping doctors who are trained outside the country to return to Mexico. They have also organized meetings of all the health foundations in the region and beyond, and has created a network.

The unique thing about this foundation is that it was started by local people. One hundred businesspeople contributed 1 million pesos and asked others to join them. It has also benefited from other institutions, including private foundations, and has won three contracts from the World Bank. It is clearly a leader on

health issues. Local support has been evident since the beginning. The foundation deals with issues that people care about and has recently done a country study of the relationship between health and the economy. Many organizations have also used this foundation as a pass-through for funds to local organizations. The foundation has provided this service free of charge, and has thus improved the access of funds by local groups and the access of donors to local organizations. The biggest challenge to this foundation is raising endowment funds. This has been a very difficult exercise, and the foundation realizes this is the only way it will be able to support fully what Mexican people care about. The foundation has assets of \$1.5 million and \$400,000 in endowment but has administered more than \$52 million and 405 funds since it was founded.

Compartamos Foundation

The Compartamos Foundation was started in 1982 by young volunteers. It gained full recognition in 1985 after the earthquake, when it got very involved with the people affected by the earthquake. The foundation started a food program in 1988 in Chiapas and Oaxaca with the help of USAID. This large project was in six states but support from USAID was stopped in 1990. The program has continued by raising funds from local citizens and businesspeople. It has a campaign with 800 supermarkets all over the country. The foundation has cards in each of these stores that asks people while they shop to include one more kilo of beans for the poor. The supermarkets collect this money for the foundation and food is bought and sold at half-price to needy families. This has made the program sustainable to a great extent.

The Compartamos Foundation has also developed a microenterprise program and has benefited from \$2 million from CGAP and is in the process of forming a local bank to lend to the poor. It has lent \$800,000, and this has all been recovered. The CF also has a health program and has been given a hospital to run by German and Swiss owners, who were not making money from the enterprise. The hospital was a receiving full subsidy but the subsidy now is 35 percent, and the idea is to make this hospital self-sufficient in future. The foundation is also helping local shopkeepers to get wholesale

prices to benefit consumers. Before, these shopkeepers depended on middlemen and had to pay very highly for their merchandise. Now the foundation buys the goods at wholesale prices and passes the savings on to consumers and still makes a profit. This foundation is compelling in that it believes in sustaining its efforts, in treating social development as an enterprise, and in finding ways to benefit the poor. Most of its programs can financially sustain themselves.

Foundation Vamos

The Foundation Vamos is a new foundation created in 1995 by a group of 16 Mexican leaders from the civil society sector. The foundation is committed to accessing Mexican resources from both the public and private sector. It was created without endowment but considering its expertise in local development, what it brings to the foundation is unique. It has a goal to create an endowment but need solid programs on the ground. The foundation is mainly focused on rural areas where 70 percent of its work is on economic empowerment. A considerable number of its activities are in Chiapas and Oaxaca.

One of the challenges faced by this foundation is addressing the issue of historical separation between the private, public, and social sectors. There is no mutual trust between these sectors in most cases, and it is difficult to link their activities.

Fundacion Mexicana para el Desarrollo Rural A.C.

The Fundacion Mexicana para el Desarrollo Rural A.C. is one of the oldest private foundations and was started in 1963 by Mexican businessmen who wanted to support rural farmers. The businesses interested in this endeavor had extra credit that they could not utilize and decided to lend this money to farmers who were unable to access funds from the bank. These businesses also decided that they would pay back this money

to the banks if the farmers could not repay their debts. The foundation realized that farmers needed more than money and therefore had to provide technical assistance; it is at this point that the group decided to form a foundation because they realized there were many issues to be faced. They decided to focus on loans related to technical assistance, education, family education, and health issues. The foundation sees the rural family as an entrepreneur and aims to make it an efficient unit of production and market through its programs. The foundation currently supports 35 organizations in 24 out of the 32 states. Funds are from the private sector, and loans are from banks. The foundation is a major contractor for the government in rural areas. It is also implementing programs for IADB and IAF. Endowment is not a priority for this foundation because its members believe that money would be better spent if utilized now rather than invested for the future, given current circumstances.

Most of the foundation's funding is from the Mexican private sector. The foundation has been innovative in generating its own resources through its education programs and doing consultancies. It also get credit from banks to distribute to local farmers as loans, and it is handling more than \$10 million of these funds. This figure was double before the Mexican economic crisis.

Fondo Mexicano para la Conservación de la Naturaleza, A.C.

The Fondo Mexicano para la Conservación de la Naturaleza, A.C. was established with endowment funds mostly from USAID but it is handled through the Mexican government. It started with a pilot phase, which deals with 10 pilot areas. This pilot program is supported through GEF funds with the Mexican government making some contribution as well. Phase two of this program is under negotiation now. The program deals with the conservation of natural protected areas.

9. United Kingdom Case Study

Community foundations in the United Kingdom date back only 12 years. However, within this 12-year time frame, 27 CFs have been formed and an additional 30 are emerging. Most of these CFs began with the help of the Community Foundation Network (CFN), formerly known as the Association of Community Trusts and Foundations (ACTAF). This national network organization, established in 1991, exists primarily to promote the CF concept, to encourage the growth of the CF network, and to support existing community trusts and foundations. The network's primary task is to assist its members in raising endowments and to support their efforts to become self-sustaining. The CFN makes development grants to CFs and consults with them as they grow. It also provides them with the necessary technical advice and information. The CFN serves a diverse membership of CFs in the United Kingdom and is funded by private foundations, government grants, and membership fees. The following two CFs are members of this network and have benefited significantly from services offered by the national body.

Greater Bristol Foundation

History and Governance Structure

History

The 1980s in the United Kingdom were characterized by recession, which resulted in increased local problems that the local authorities were unable to address. This was also a time when the central government was withdrawing its funding from local authorities. These factors, among others, led to decreased funding for the voluntary sector. The Greater Bristol Foundation (GBF) was established in 1987 to respond primarily to the

growing concern about funding for voluntary activity in the Bristol area. Its major support and funding initially came from the Society of Merchant Venturers, a networking trade association that dates back 400–500 years. This society was facing increased demands on its charitable resources, heard about the community foundation model, and thought that establishing one in Bristol would provide the vehicle for new sources of charitable funding to meet needs in the area. In particular, the government had just introduced tax-effective payroll giving which it hoped would bring in significant “new” money for the local community.

The GBF is an independent charity and a local grant-making organization. It raises funds and provides advice and practical help to local charities to support a coordinated program of work. This program aims to develop the potential of local communities for the benefit of all who live and work in Greater Bristol. GBF offers the following activities: researching the community needs, setting priorities, working in partnership with donors and local communities, taking the lead in raising awareness, raising funds and building endowment, making grants, and monitoring and evaluating progress.

The CF's overriding aim is to invest in communities in order to build the capacity for local development; specifically, the priorities (GBF 1998) include:

- To provide efficient and flexible service for all donors, and to add value to their charitable giving;
- To provide a long-term source of support for Bristol's voluntary organizations through building and effectively managing a permanent endowment;
- To direct resources and make an impact for particular areas and needs; and
- To act as a catalyst to meet changing needs in the community.

Governance Structure

GBF has up to 18 trustees who come from the public, private, and social sectors in Bristol. This group includes two ex officio Trustees: the Lord Lieutenant of Bristol and the Bishop of Bristol, plus a nominee of the Society of Merchant Venturers. A Trustee Appointment Committee takes responsibility for identifying and proposing new trustees. GBF has three main committees: Grants Committee, Finance Investment Committee, and a General Committee for Fund Development. GBF is starting to use the powers of co-option to include some non-trustees with particular skills or experience on the committees. The trustees meet four times a year. The trustees are increasingly involved in the business of the foundation. They set the criteria for the grant programs and make decisions on the larger grants; decisions on smaller grants are delegated to the staff team. They also take time for field visits, which have been instrumental in exposing the trustees to the needs of local communities.

Program Development and Activities

GBF aims to make an impact on the needs of homeless people; those in long-term unemployment; the disabled, isolated, or poor; and young people who are rapidly

losing hope. To make their impact, GBF strategically works with other organizations and leverages help from local, national, and international sources to instigate real change.

GBF gives grants to the voluntary sector, including small groups. The foundation has extended itself in order to fund these small groups that are not usually connected to donors and may at times lack capacity to access these funds. In addition to money, GBF gives other support and advice to organizations and links them to appropriate sources of specialized help. For example, GBF made a grant to an isolated group of disabled persons so that they could pay somebody to help them write a grant proposal. GBF was then able to link them with donors who provided funding for three years. This isolated group, who had not previously been able to get funding, is now thriving and has accessed both capacity and funding; this organization did not need a full-time employee; they just needed the skills to get funding for their activities. Generally, GBF is trying to move the money where the need is and to respond to needs as they change.

Between 1987 and 2000, GBF made more than 2,500 grants to voluntary organizations and community groups in Greater Bristol. At the same time, GBF also helped some 500 donors target charitable programs in the Bristol area.

Box 9.1. Examples of Activities Funded by the Greater Bristol Foundation

Homelessness: GBF has supported Aashyana (Nest) at different points since 1992. This is the first Asian-led housing association offering language skills, cultural understanding, and support to Asian people seeking solutions to their often acute housing problems. It aims at providing homes for rent that are affordable, appropriately designed, and geographically relevant to the Asian community.

Youth: The program targeting youth supports youth-led initiatives and aims at giving them a chance to broaden their experiences and to discover the full range of opportunities that are available to them. For example, the foundation supported Bristol Youth Community Action. This is an initiative that encourages groups of young people to put together positive ideas to improve community safety. The groups are given grants to support their activities, which

include guarding against theft, improving leisure facilities, cleaning up graffiti, and combating violence. Projects can take the form of, for example, a leaflet or magazine, a community action initiative, a play for school children, or a public display.

Disabled people: These grants are intended to increase the extent to which disabled people can organize their lives in the way that non-disabled people take for granted. Sometimes this is through support for organizing and lobbying activities, other times with practical assistance. For example, the foundation gave a grant to a group called Opportunities for People with Disabilities to support the running costs that assist disabled people to find suitable employment. Other support to people with disabilities includes a grant towards the costs of a Festival of Theatre by people with learning disabilities.

The CF gets its grantees by working with local organizations, including the local government and community development workers who identify local groups in need of assistance. GBF has restructured grant making to ensure greater impact. GBF now gives a small number of large grants of 20,000 British pounds a year for three years.

Resource Mobilization and Building Endowment

The initial funding for GBF came from The Society of Merchant Venturers, who paid the core running costs for the first three years. In its first 10 years of existence (1987–97), GBF diversified its resource base and received funding from 195 individuals, 40 charitable trusts, 187 companies, 11 societies, and 64 voluntary organizations and statutory authorities. GBF has an endowment of almost 6 million pounds (April 2000); it comprises over 60 “named funds” set up by donors who have contributed a minimum of 10,000 pounds into the endowment. Some of these funds came from a specific fund-raising effort conducted by GBF in the early 1990s. GBF was one of three U.K. foundations to win a competitive bid to secure 600,000 British pounds each from the C.S. Mott Foundation in 1991. This was a challenge grant to raise money for endowment. The foundation had to raise double that amount of money by 1993. It reached its target a year ahead of schedule. This is mainly because, to raise the match, it needed to go to all potential donors in the area, including companies and individuals. This effort increased the number of people donating to the CF. The downside to this kind of approach is the fact that people are willing to give one-time donations, but not long-term continuous funding. GBF is looking for alternative fundraising strategies to ensure that it does not lose the momentum of raising funds for endowment. It is, for example, making links with the local authority and other national initiatives to ensure access to available public funding. It also sees this as an opportunity to work with the city more closely. GBF is also trying to build the endowment fund, manage revenue funds, and establish more donor-advised funds. Other than building endowment, GBF has invested in its own building, with half the investment coming from a charitable trust and the other half from other sources, including the National Lottery

Charities Board. This building is an investment that provides office space for GBF and other voluntary organizations, and has added 1 million pounds to the endowment. It is worth noting that other than this one-time matching grant, all other funding has been raised in the country with a significant amount coming from the private sector.

Opportunities and Challenges

Opportunities

GBF's activities are concentrated in a specific geographic area that the CF has become acquainted with. During its 13 years of existence, GBF has helped to link communities with donors and vice versa in an unusual way. GBF has also linked small groups that are usually isolated, and the CF has sought to provide whatever support those specific groups need. This outpouring has brought local groups to the table that would not ordinarily be there. GBF's grounding at the local level is also helping them to follow development efforts over long periods and to monitor the impact of projects at the local level.

The important role that GBF is playing is to support the development of the most vulnerable; this role is especially valuable now that government spending has been reduced. In addition to building capacity for the poor to get involved, the CF is unlocking resources that have not been readily available to the voluntary sector. The CF has facilitated links between the voluntary sector, private, and statutory organizations, and the CF sees itself as a bridge builder between these sectors.

Other sources of funds, like income from endowment, are also bringing in funding not previously available to the voluntary sector. Building of endowment ensures long-term availability of funds for development and reduces the instability of having to depend on yearly project funds. Finally, GBF has played a significant role in helping the private sector companies fulfill their charitable wishes efficiently and effectively. Most companies do not have time resources or expertise to do what the foundation does on their behalf. The CF thus becomes a valuable interface between companies and the wider community.

Another issue associated with mobilizing resources is the importance of promoting philanthropy in com-

munity development. GBF has demonstrated the potential of philanthropy in community development by its ability to build its endowment and to raise local funds. Although private sector donations for development had existed for a long time, the practice was uncoordinated until GBF provided a system for the sector to contribute over time to development and thus to promote sustainable development. The way the CF works has also enabled it to target the poor. For example, GBF has been able to concentrate on chronic problems like homelessness in Bristol and has convened others in the city to seek solutions. The multifaceted approach to development and poverty makes it possible for it to bring people together to make a difference.

GBF has played an important role as an advocate of the voluntary sector, and continues to do so by supporting the networking of these groups, by raising awareness, and by working with other organizations to help address issues.

Challenges

One of the challenges GBF faces is the fact that the community foundation concept is new concept in the United Kingdom and especially as it relates to the mechanisms of building endowments. GBF has found it particularly difficult to raise endowments in the United Kingdom, unlike in the United States, where tax incentives make it easier for companies and individuals to donate. Further, the culture of individual philanthropy is not as strong in the United Kingdom, and hence, the concentration on private sector funding. Private sector funding has certain limitations because most companies are willing to give for short-term projects but not long-term involvement. Thus, it is intimidating to return to the same people over and over again, requesting funds. There is also significant competition for charitable funds, both from national charities and other local groups (including the Society of Merchant Venturers).

GBF also must develop a capital pool of resources that would enable the CF to continue the involving work they do with voluntary organizations. Because it lacks sizeable capital, the CF is continually preoccupied with raising additional funds. This task, coupled with the difficulty in creating new donor markets and facilitating the development of a long-term strategy of giving, is daunting.

Another challenge is changing peoples' attitudes towards giving. Although there are pre-existing historical charities in the city, they have a different focus and have not all changed their grant-making to reflect the changing needs of the local community.

Oxfordshire Community Foundation

History and Governance Structure

History

The Oxfordshire Community Foundation (OCF), which began in 1995, was set up by a group of individuals who were keen to increase the amount of charitable funds available to local community organizations. This cause was championed by a prominent figure in the community (the Lord Lieutenant—the representative of the Queen at the local level), who was already involved in a number of welfare activities in Oxfordshire county. He and a number of prominent citizens in the county were able to raise funds locally to run the foundation for a few years before deciding to appoint a director.

The OCF was formed to address the needs of the lowest income group, which is often marginalized in an affluent county. The CF sought to attract funds from companies and individuals that could be channeled into immediate grant aid to local groups. The underlying philosophy of the CF is one of self-help: enabling local donors to contribute to local needs in their area.

Governance

There are 11 members of the board of trustees from the academic arena, business sector, and government and voluntary sector, including appointed religious leaders. All members are residents of the county and have a term lasting six years. The main role of the board is to raise money to address the problems of the most vulnerable in the county. It therefore needs to understand local needs by spending a considerable amount of time consulting with different people in the country.

Program Activities and Resource Mobilization

The CF provides grants to voluntary organizations from the county who are addressing local needs from one or

more of the following areas: education, disability, health promotion (particularly mental illness), and poverty. The CF intends to play a continuing role in the funding infrastructure of the county by establishing a permanent endowment fund to provide revenue to support its grant-making operations. The flavor of the message is different although the root cause is poverty.

The CF hopes to operate in the following way:

- To focus on significant areas of poverty and unemployment;
- To serve the whole county by meeting rural as well as urban needs;
- To support voluntary organizations rather than individuals;
- To support innovation and experimentation;
- To support small-scale projects rather than competing with large-scale regional or national organizations that already have significant fund-raising capacity; and
- To encourage self-help and unlock other resources.

OCF aims at the more creative processes of grant making, which support and strengthen groups and can be described as investment in the community. For example, some groups applying for funding were not yet in a position to receive funding; they needed further training and support before funding could be given. The CF would either directly provide such support or commission others to do so.

Grant-Making Process

Oxfordshire is one of the richest counties in Britain. OCF targets the poor who are not always visible, their organizations, or those that serve them. OCF aims to build the capacity of the voluntary sector as reflected by its grant-making process. OCF typically gives small grants of up to 2,500 British pounds.

To facilitate the grant-making process, OCF has a database of most groups eligible for grants. OCF advertises the grants widely through the press, and it also mails application forms with a simple clear set of guidelines to organizations it knows would be interested. Its recommendations for grant recipients are then circulated to all the trustees for approval. The groups awarded grants are notified and invited to an event with the donors, after which they are given one-year grants. By

the end of their first three years, the CF had given grants to 80 local organizations and there has been considerable growth since then.

OCF always offers opportunities for unsuccessful candidates to discuss reasons for not getting the grant. This is a process aimed at promoting transparency and it allows the CF to present other types of support that it can offer to unsuccessful candidates.

For OCF, grant making is a capacity-building process. The foundation gives priority to applications that focus on the greater participation of volunteers so as to build skills. Clearly this is a new CF, and its programs will continue to expand as the foundation grows.

Resource Mobilization

Since its formation in December 1995, OCF has raised over 250,000 pounds, of which 95 percent has come from private or corporate sources. Moreover, OCF has secured further pledges of 200,000 pounds. By the end of 1998, OCF had an endowment of 50,000 pounds. An important source of funding has been a local brewer known as Morland who established a named fund within the CF. The company was already investing in the area but saw the CF as a positive vehicle for distributing funds to the most needy. The brewers have been very involved in the allocation of funding because it is important for their public relations. Other funding for OCF includes an investment company, which has given OCF full decision-making power as to how its money should be spent.

OCF has more recently attracted substantial funding from the European Union and a fund for small grants from the British government.

Key Issues and Challenges

The establishment of this CF has enabled the targeting of poor people for support and funding. OCF has identified other isolated groups, some of which are in rural areas, and it helps bring together donors and community organizations. Further, the CF obtains resources from nontraditional sources like individuals and private companies. This process of fundraising is, however, in its infancy, and it will take a long time to develop to significant levels. What is important is the fact that

the foundation has initiated a process that should bring in significant resources to help the poor in the county.

The concept of building endowment, though a challenge, is itself an innovative way of ensuring long-term and future availability of funds to address these issues in the county. The support of a few companies at this early developing stage of the CF is promising; hopefully their actions will inspire others to follow their good example.

In spite of all of these opportunities, the notion of permanence and perpetuity, of gifts to the foundation for present and future operations, is a new concept and will take time to attract the attention of wealthy individuals and companies. This requires the CF to keep the long vision of the nurturing and drawing in of donors in clear sight, and to gain their confidence and support over time. This is difficult given the nature of available funds, which do not usually require this long-term relationship with donors. The ability to change funding instruments, like challenge grants, becomes difficult

given the tendency of donors to want to give once only and not regularly. Further, the reasons individuals or companies give money are based on self-interest in one form or another. The challenge for the CF is to turn this interest into long-term commitments for the mission of the foundation. It is because they believe in that mission that people are willing to leave their legacies to the foundation.

Finally, like all community foundations in the United Kingdom, OCF faces the task of tapping resources from those who have the most money in places like Oxford County. Encouraging people to give locally, strategically, and for the long term continues to be a challenge. It will be interesting to see whether the incentives for charitable giving since April 2000 will significantly affect this situation. It is, however, worth noting the encouraging contribution from the private sector, which is over 70 percent in some of the community foundations.

10. United States Case Studies

Community foundations have existed in the United States since 1914 when the first CF was initiated in Cleveland, Ohio. A banker named Frederick H. Goff “developed a cooperative model of philanthropy that gathered together a mix of charitable funds under one umbrella” (James 1989: 63 in Magat 1989). Goff was also responding to the fact that some donors were unaware that community needs were in constant flux and therefore, tended to leave bequests and make grants designated for specific purposes. At the same time, some donors left small, unrestricted bequests—just as costly and time-consuming for bank trust departments to manage as large bequests. While the bank continued to invest the money from bequests, it relegated responsibility for distributing the income to a separate entity, the Cleveland Foundation, with a publicly appointed volunteer board of leading citizens (Council on Foundations 1992). Since then, the number of community foundations has increased steadily. By 1999, there were more than 500 CFs in the United States. It is worth noting that “community foundations are one of the fastest growing sectors of U.S. philanthropy, with combined assets that have more than tripled to over \$10 billion between 1985 and 1995” (Tully 1997: 3). Even in the United States, there is no agreed-upon definition of what CFs are; as in most other countries, they are each distinguished by their unique characteristics. According to Agard, a community foundation can be defined as “as a tax-exempt, independent, publicly-supported philanthropic organization established and operated as a permanent collection of endowment funds for the long-term benefit of a defined geographic area. . . . A community foundation actively seeks new, typically large contributions, and functions primarily as a grant-making institution supporting a broad range of charitable activities”(Agard, Monroe, and Sullivan

1997:15). These funds are contributed by individual citizens, corporations, other charitable organizations, and government agencies to benefit a specific geographic area. The following is a brief discussion of two community foundations, the Montana Community Foundation and the New Hampshire Charitable Foundation.

Montana Community Foundation

History and Governance Structure

Montana’s current economy is said to have been shaped by a history of “dependence and extraction, beginning with the itinerant fur trappers and gold miners and continuing through the more ambitious Silver Barons and Copper Kings who prospered personally from Montana’s wealth of mineral resources” (MCF 1994: 2). Most entrepreneurs who came to the state did not consider it home because they settled mainly and temporarily to seek their fortune. Whatever fortunes they amassed were exported out of state. Today, Montana has little wealth to call its own and is still struggling to establish economic security. The state has “few major corporation headquarters, no well-established corporate endowments, no major private foundations, no critical mass of population to provide adequate funds through charitable giving or taxes to meet our ever-increasing needs” (MCF 1994: 2).

These issues are compounded by the fact that the state of Montana is undergoing rapid transition with its historic economic mainstay in agriculture, mining, and logging no longer maintaining adequate levels of employment. In the last three decades, almost one-third of the state’s farmers have gone out of business; the majority of counties on the agricultural plains of east-

ern Montana have lost population; labor union membership has been cut in half; around 7,500 jobs in agriculture, wood products, oil and gas, and mining have been lost; and, since 1985, \$210 million in state tax revenue from minerals has been lost (Strategic Plan of the Montana Community Foundation 1995–2000). In spite of this grim picture, other sectors in Montana have grown over the same period. For example, the economy has added 141,000 new jobs, wealthy individuals are moving to the state, and the population is projected to increase by 120,000 new residents. These challenges continue to preoccupy the Montana Community Foundation (MCF), whose formation was based on the conviction that the situation in Montana can only be changed by empowered communities and individuals who are committed to transformation and are willing to make it happen.

This history of MCF dates back to the 1980s when a few people from Billings (who had begun a local foundation but realized they could not accomplish their goals at that level) decided to engage people of like minds in the state to consider the possibility of starting a community foundation in Montana. For two years, they talked to different people in the state about the CF concept and finally decided to obtain more information to inform their decision. The group sought support from the Council on Foundations, which provided them with an advisor funded by the C.S. Mott Foundation. The advisor, Eugene Struckhoff, often called the “father of modern day community foundations,” helped get essential funding for the group in the form of challenge grants. These came from two sources, the Northwest Area and McKnight foundations. With this support, a decision to establish the Montana Community Foundation was made in 1988. The group from Billings had already raised \$300,000 and, in creating the new foundation, offered the funds to start their endowment.

The mission of MCF and its members is to to strengthen the long-term funding capacity of Montana’s nonprofit organizations, strengthen the fabric of its communities through expanded educational opportunities with scholarship programs, and to strengthen the ability for communities and institutions to sustain themselves into the future.

The CF has, thus far, tried to accomplish four broad goals:

- To enhance, by orders of magnitude, Montana’s embrace of endowed philanthropy as one effective response to social and environmental problems and unforeseen opportunities;
- To create a new capacity to serve Montana’s far-flung and diverse nonprofit community statewide;
- To use the creation of endowed philanthropy as an organizational and community development tool; and
- To act as a catalyst for change by providing an impartial, ecumenical vehicle for encouraging cooperation among disparate groups—by offering creative approaches and specific tools and techniques for community vitality, and by providing objective, understandable information.

The main purpose of the CF is:

- To serve charitable donors in Montana by providing a variety of flexible means for meeting their charitable objectives;
- To serve the nonprofit sector by providing professional management of endowment funds;
- To become a leading charitable grant-making agency in Montana for funding projects that meet the existing and emerging needs of Montana and its people; and
- To collaborate with other public and private agencies on special projects.

The mission and goals of MCF have been developed through extensive meetings with different stakeholders that reflect the felt needs of the people in the state. This process has been interactive and has been characterized by open participation as is demonstrated through the governance structure adopted by the CF.

Governance Structure

Community foundations were a new concept to Montana residents. Most residents had a general mistrust for outsiders, so it was necessary to establish a governance structure that would address this issue. Thus, the board had to be representative geographically. MCF also had to address the issue of trust, particularly in regard to financial management. Therefore, an audit structure and an investment committee were set up right way.

The CF decided to go a step further and it obtained an independent financial evaluator to perform an independent quarterly investment analysis.

MCF has 20 board members and can increase that number to a maximum of 27. All nine regions have representatives on this statewide board that are elected by regional committees. To be selected for the Board of Directors, members should have served at the regional committee level. The Board of Directors meets quarterly for one and a half days and moves the meetings around the state. Interested citizens can attend the board meetings, although they are not allowed to vote. In addition, the board also hosts a Community Leaders Dinner where some of the grantees are invited to share what they have done with the grants. This gives the board an opportunity to experience first-hand the impact the grants made, and it also allows the community leaders to acquaint themselves with the board and the activities of the CF. The membership of regional committees is voted on at annual meetings, but the selection process is participatory, allowing a wider audience to select board members. The open broad-based participation is designed to increase ownership by the local people. The rotation of meeting place and open participation in board meetings shows the CF's commitment to transparency and accountability to different constituents.

Program Development and Activities

The main grantees of MCF are nonprofit organizations and local communities. MCF also gives leadership development grants (for seminars, conferences, or to buy services that it needs). The unrestricted funds have five focus areas that include arts and culture, economic vitality, education, natural resources and conservation, and basic human needs. In addition to these competitive grants, donor-advised, leadership development grants and scholarships have been awarded.

MCF expanded its interest in rural community development in 1994 when it was chosen to participate in the Ford Foundation Rural Development and Community Foundations Initiative. Because it had not been involved in rural program work, MCF decided to use the same criteria that the Ford Foundation had provided to it: to offer, in a competitive process, program money to a community project that would help provide better economic

security to rural families and address rural poverty; in turn, the community would be required to raise funds to establish a local community foundation affiliated with the statewide foundation. In order to accomplish this, the executive director and a consultant visited 35 rural communities to inform them of the opportunity, and they were in contact with many more about their local priorities, strategies, and decision-making processes. They also used this opportunity to start talking about both the community foundation and endowment concepts. After these discussions, communities were invited to apply for grants. After careful review by the board, three beacon communities were selected and awarded challenge grants totaling \$117,000 for each community.

The CF makes grants from its Unrestricted Endowment twice a year, and it focuses on one of the five designated issues each grant cycle. In 1997, the CF focused on arts and culture and basic human needs, and the CF gave 41 grants totaling \$85,000 from its unrestricted funds. It also gave an extra \$47,000 that was provided by the Steele-Reese Foundation for a small grants program. In 1997, the Turner Foundation asked CFs in the states where the Turner family has ranch property to develop a youth development program. The Community Youth Development Initiative provides grants to preselected communities for youth development programs. The emphasis is on local community priority-setting, consensus-building, and decision-making. The CF provides ongoing monitoring, evaluation, and technical assistance to the communities.

In 1998, the focus was on education, and the CF awarded \$71,223 in grants and scholarships. The 1999, the grants cycle focused on programs to boost Montana's economy by supporting communities and organizations as they design new strategies to address a changing economy, revitalize their communities, and develop education and training opportunities to assist Montanans as they seek employment. Also in 1999, the Gold Region of MCF started an internship program, in collaboration with the local college, aimed at exposing young people to the nonprofit sector and endowed philanthropy.

After awarding grants for a number of years, the Distribution Committee in 1998 took a year off to examine its grant-making structure and to ascertain whether the grants achieved one of its goals—namely, to

Box 10.1. The Journey from Poor to Beacon Communities

The three selected beacon communities included Browning on the Blackfeet Indian Reservation; Scobey, and Broadus. Each of these communities then expanded reservation-wide or countywide, establishing the Beacon Foundation of Daniels County and the Powder River Community Foundation. The three communities knew nothing about community foundations or building endowments, but they were interested in changing their communities. The needs for some communities were so great that it was difficult to see the way ahead. This was particularly true for the Blackfeet Reservation, which has a population of 12,400 people and suffers from one of the highest unemployment rates and the lowest per capita income in the state. The group decided to build on previous efforts of people with disabilities to handle the recycling. So they created a Browning-based, regional recycling center, which would support the employment of developmentally disabled persons. This project also provides education and stimulation of community-wide cleanup and recycling efforts. This project not only strengthened the capacity of the grantee but also provided access to incomes that did not exist before. Although the recycling program was initially thought of as a volunteer activity, it quickly turned into an income-generating business. The confidence built by the success of this effort helped a very poor community defy the odds and raise funds for endowment and other development projects that have changed the lives of many people. In order to raise funds for the Blackfeet Community Foundation, the Blackfeet people looked to their own resources and recognized that Indian art was important. Well-known Indian artists from throughout the state contribute their artwork, while other businesses contribute prizes for an annual Art Auction and Harvest Moon Ball. Held at the historic Glacier Park Hotel, this festive and successful celebration is begin-

ning to attract art lovers and collectors from all over Montana.

The Beacon Community Foundation of Daniels County, which has a population of 2,000 people, surprised everybody by developing an innovative program to bring small communities together and utilize local resources to build a countywide endowment. The leaders looked at the resources they had in the county and devised a local strategy to obtain these funds. They did not duplicate a strategy from another county; rather their extensive knowledge of the county enabled them to select viable ways to both raise funds and get the rich and poor involved in the county's development. In spite of their small numbers, the people in this county used the media to publicize the potential they saw in their county. They also made all residents aware that it takes the whole county to make a difference, and they made sure that everyone got involved.

In all of these activities, MCF provided both matching grants and technical assistance through training and constant contact with the three communities. MCF soon realized that these communities would have to lead the process and devise strategies to solve their problems. The CF facilitated the process and brought in whatever skills the community needed, but the community continued to own the process. This has been a very effective way of building local capacity and ensuring local ownership of the community foundation process. To sustain the program, the CF had to raise \$1 million to meet the Ford Foundation challenge, which is placed in a permanent endowment, called the Montana Renaissance Fund. This fund will continue to empower rural communities throughout Montana to devise and implement their own community vitalization strategies and solutions, while building their own local CF. The first three grants from this fund were awarded in 1999.

promote community vitality. MCF also wanted to develop a holistic approach to grant making for lasting results. It realized that making this change required a shift from project to program mode. MCF also wanted to change the culture of the nonprofit sector by influencing the way the nonprofits view each other and the communities they work with.

The grants that are given are mostly seed money and the largest grant does not exceed \$5,000. Most of the organizations funded are small and are obtaining matching grants. Many CFs raise operating funds locally and depend on volunteers to run the foundation.

For a grant to be given, there must be some investment from the community in one form or another. The grants given are flexible and take into consideration any changes that may have taken place since the application was made.

The grants are openly advertised with notices sent to all partners, including those who merely seek information from the CF. Each region has its own local review committee, which reviews and short-lists the nonprofit proposals. All proposals are sent back with their scores, and they are further reviewed by the statewide distribution committee. This committee makes recommendations to the Board of Directors.

Resource Mobilization and Building Endowment

At the time MCF was started, Montana ranked among the lowest in philanthropic giving, and most people did not know anything about the community foundation concept. The state also suffers from a high level of poverty. This problem is perpetuated by the lack of large companies; the few that operate in Montana are headquartered elsewhere, which reduces access to their resources. Furthermore, most of these companies and individuals came to Montana to make money, not to invest in Montana's future.

The first step for MCF was to embark on a campaign to raise awareness of the CF concept and to build long-term local wealth through endowments. Some of the earlier activities of the foundation were linked to the Ford Foundation Rural Economic Development Program, which gave MCF \$500,000 in program money for the Rural Initiative and required a match of two to one in permanent endowment. The CF was required, within three years, to raise \$1 million—a task that looked insurmountable given the high poverty levels, lack of philanthropic tradition, and lack of experience and expertise in rural grant-making. The awareness-raising activities and other programs of the CF planted the seed for 46 community foundations throughout the state.¹⁰

Today, MCF has over 400 funds, including local community foundation funds, designated funds, scholarship funds, donor-advised funds, field of interest funds, and unrestricted funds. The total endowment funds raised by these groups and the CFs is over \$23 million, managed as one unique fund by MCF; almost \$20 million of the endowments have come from various communities, nonprofit organizations, businesses, and individuals. It is important to note that, although this has been a long and difficult process, it proves that poor communities lacking enabling environments can build on their existing assets, raise funds for operations and endowment, and get fully engaged in the development of their communities.

To further the discussion on philanthropy, the foundation decided it was important to involve both the public and private sectors. It did this by holding community forums on endowed philanthropy in a number of cities, patterned after the first such conversation, hosted by Governor Marc Racicot. Racicot's forum on philanthropy included a total of fifty representatives from

the philanthropic, business, industry, government, and individual communities who participated in this historic forum on endowed philanthropy. According to the governor, "the conversation represented a conscious and deliberate effort to break Montana's pattern of fatalism established by decades of isolation, anticipation of failure, and history of exploitation" (MCF 1994: 2). The CF provided research and assisted the governor in advancing endowed philanthropy as a means to offer tangible, practical, and achievable means for Montana to control its own destiny. It was also hoped that this focus on philanthropy would strengthen Montana's spirit of giving and its sense of community.

In this meeting, the governor gave the keynote speech, and foundation and business leaders presented additional information; then people broke into small groups to decide what the state of Montana could do to promote endowed philanthropy. This was a chance to have others outside of the foundation talk about philanthropy. The forum was grappling with the issue of encouraging philanthropy in the whole state. Those participating asked the governor to form a Governor's Taskforce on Endowed Philanthropy, which was open to all those wanting to think through the issue of endowed philanthropy. After reviewing programs used in other states, those on the taskforce decided that one of the ways to promote endowed philanthropy was to enact a tax credit for contributions to permanent charitable endowments held by a community foundation. This initiative was patterned after a tax credit offered by the State of Michigan. The legislation failed in the 1995 legislative session, but after two years of working with many interested groups and organizations, new legislation was drafted and subsequently, a tax credit bill was passed in 1997. This is a generous tax credit, unique in the nation; the passing of this bill clearly increased the philanthropic giving in the state, not just for MCF, but also for other nonprofit organizations.

The governor also created a Governor's Business Council specifically to help raise funds for the Montana Renaissance Fund—the \$1 million endowment to meet the Ford Foundation's challenge grant. One of the outcomes of the governor's meeting was the decision by two national businesses to give to the statewide fund and to provide small donations to establish 18 local CFs in amounts ranging from \$5,000 to a little less than

\$2,000. Initially, only four communities took advantage of this gift and began to build their endowments; however, new challenge grants from MCF, along with the incentive of the tax credit, are boosting interest and assets for many more communities at this time. The reason for the lack of interest in this program was due to limited understanding of the endowment concept and the challenge of getting people to own the process and invest in it. This enlightenment process is a long one, and most donors do not have the patience when it can lead to isolating the most vulnerable. As indicated by the beacon communities, it is possible to work with communities to realize their resources and to raise funds from other sources for their development. This takes time, technical expertise, and resources for relevant capacity.

Endowment building for MCF has not been an easy task, and over the years, the CF utilized different strategies to build endowment. One of the strategies was to encourage the nonprofit sector to build their endowments through the CF. This would encourage even the small organizations and communities to start with whatever they had and build on it. Since the CF and the

idea of endowment were both new, MCF decided to give incentives to nonprofit organizations wanting to start an endowment fund with the CF by matching their contributions. Starting an endowment with the MCF would make it possible for small organizations to start building endowments. MCF would pool together their resources and invest them and thus provide a valuable service that the nonprofit sector could not afford. Currently MCF does not need to match these endowments because they have a proven track record, and the benefit to those who started building endowments with the foundation is evident. This strategy could be useful in developing countries where the CF idea is new and nonprofit organizations lack the endowment funds and skills to invest.

To date, MCF has accumulated an endowment of over \$20 million in 10 years. Of this, \$3.7 million is the unrestricted endowment belonging to MCF. The CF has adopted an aggressive strategy to continue to grow the endowment by involving people in different ways. There are, for example, family contributions, which come from friends of board members and staff. Funds are also being mobilized from friends; most of

Box 10.2. Even Small Communities Can Build Endowments

Given the prevailing circumstances, especially among the poor, MCF had to think of a way to facilitate meaningful discussions. So it decided to get an expert to discuss the idea of community assets with the Browning Community Foundation. When the discussion focused on existing community assets, the group initially did not think they had any assets that could generate resources for the organization. After a long discussion, the group realized they actually had a valuable asset, Indian art. After this discussion, the group decided to organize around Indian art and see if it could raise funds for them. They decided to have a festival to try and sell the art. The Harvest Moon Ball and Art Auction has been running for the last four years. In 1999, this event was sold out in advance. Those in the state who usually had little business with Native Americans participated to both purchase the paintings and sponsor the event. This festival brings people from other regions and people with second homes in Montana; thus it links the community with rich people both inside and outside the area. The event also links businesses in the area with local peo-

ple. Both money and awareness were raised with the Harvest Moon Ball and Art Auction. This event gave people an opportunity to look at Native American culture in a different way. This function has helped raise more than \$150,000 for the Blackfeet Community Foundation endowment, and it also raised the income of participating artists. Nobody would have thought this possible.

The Daniel County Beacon Foundation used a different method. During their first year, the CF was dedicated to educating people about endowments. To do this, it wanted to host a "radiothon," an idea that was initially rejected by owners of the radio station. Instead, for a period of ten weeks, it used the local papers to discuss philanthropy and what it was trying to do as a foundation; it raised \$300,000. The radio station later allowed the CF to use the airtime. The CF was also able to raise funds from people who had left the county but still cared for their old communities. Although Daniel County has only 2,000 people, it has raised more than \$1 million to date.

these friends are wealthy people who live part-time in the state and care about Montana. The CF is not just mobilizing financial but human resources as well; it is getting more people involved and considering themselves part of the organization. The third source is the corporate sector both inside and outside the state. The corporations outside the state have businesses in Montana but are headquartered elsewhere. Funds have also been raised from other private foundations primarily from out of state.

MCF has designed an investment policy and any decisions on investments are made by the Investment Committee, which is composed of some board members and members of the public who are well-versed in investments. MCF has three professional managers who are evaluated by Merrill Lynch on a quarterly basis.

Opportunities and Challenges

The previous discussion shows the critical role that MCF played to promote and facilitate local philanthropy that benefited people who would otherwise have been invisible. The CF has also created an enabling environment for endowment building for the nonprofit sector as a whole. The CF has been the catalyst in making it possible for the nonprofit sector to build endowments through the foundation.

MCF has played a significant role in facilitating basic community building and developing local leadership and ownership of the development process. This is clearly indicated by all the groups that have come together and raised human, social, and financial capital to bring vitality to their communities. In this regard, MCF has demonstrated that even poor communities can make a difference if they are willing and able to build on what they have. The CF has also demonstrated the critical and important role of community foundations to bring about change in values and attitudes.

MCF has helped build the capacity of the nonprofit sector by enabling it to start and build endowed funds. This process has also helped build and sustain community wealth from untraditional sources. The import of partners from public, private, and social sectors to this process will create sustainable communities in the future.

In spite of the MCF's many accomplishments, the foundation faces a number of challenges and problems that are briefly outlined here.

Community foundations are a new concept in Montana, and most people still do not understand how endowments work and why they should be involved in building them. This lack of knowledge of endowed philanthropy and is complicated by the fact that, for the most part, Montana is a poor state. The state is also large in area and has isolated communities that are hard to reach because of both geography and weather.

MCF faces real challenges in raising unrestricted funds, as well as the funds needed to cover administrative costs, which are high due to the size of the state and the decentralized nature of the CF operations. These constraints put undue stress on the small CF staff, who cover large regions and audiences.

New Hampshire Charitable Foundation

History and Governance Structure

The history of the New Hampshire Charitable Foundation (NHCF) dates back to 1935, when a former New Hampshire governor, his wife, and his sister established the Spaulding-Potter Trusts. These charitable trusts became effective in 1957, following the deaths of the benefactors, and the trusts were designed to terminate, all principal and interests expended in grants, by 1972. In 1962, the three lawyers who were the trustees of the Spaulding-Potter Trusts decided to start a community foundation so that there would be an ongoing source of support for New Hampshire nonprofit agencies, once the Spaulding-Potter Trusts had been terminated. To launch the NHCF, Spaulding-Potter Trust made an initial grant of \$25,000, with the promise of a total of \$100,000 if the CF raised \$400,000 by 1972.

These funds grew very slowly over the early years of the NHCF because people knew little about the foundation and its activities. By 1965, NHCF assets approached \$124,000 and by 1971, assets exceeded \$700,000. By 1979, assets stood at \$5.8 million. At the close of 1999, however, foundation assets stood at over \$220 million, and today NHCF is the largest philanthropic organization in New Hampshire, making grants in excess of

\$9 million each year. In recent years, people have been more willing to give to the CF because they are now familiar with its activities and they share in its concerns.

The mission of NHCF is to improve the quality of life in New Hampshire. It achieves its mission through the following:

- By encouraging the dedication of assets for charitable purposes of all kinds in New Hampshire, particularly permanent endowments;
- By making grants and loans from funds contributed by individuals, organizations, and corporations to meet the changing needs of the state; and
- By exercising leadership in the efforts of New Hampshire residents and public and private institutions to address emerging issues.

Governance Structure

NHCF has a governance structure that allows it to maintain local focus and impact and at the same time, protect statewide identity. The governance structure of the CF has both statewide and regional governing bodies. The statewide board has full legal, financial, and administrative authority. This board must secure and retain the full trust of a broad range of constituencies to fulfill its responsibilities. Some of these key constituencies include the corporate community, donors, nonprofit organizations, the media, state government, and other national foundations. Although the statewide board has the primary responsibility for the governance of the foundation, it also has regional boards that operate with a high degree of local identity.

The statewide board has nine members who meet ten times a year. These frequent meetings ensure continued involvement in the ongoing work of NHCF; in particular the meetings enable members to respond quickly to the emerging issues, needs, and opportunities, and to oversee and direct the work of the CF's professional staff. Each director may serve two consecutive four-year terms. Members of this board are drawn from community leaders throughout New Hampshire via a nominating committee of the NHCF Board. The nominating committee consists of the Chair and President of NHCF and the chairs of each regional division. Within the state, the CF has friends whom they refer to as "Incorporators." These Incorporators support

the CF and sometimes identify possible future board members.

The NHCF board requires its members to actively participate in board deliberations and encourages all to be fully engaged in the work of the foundation. The board has a limited number of standing committees to advise it in specialized areas such as investment, finance, nominating, and joint grant-making. Ad hoc committees are created as needs arise, and membership on all of these committees may include persons who are not members of the board. This structure enables others in the state to contribute their expertise to the CF for short periods of time, and it broadens participation in the activities of the foundation leading to a broader ownership of the organization.

NHCF has six regional community foundations, namely Monadnock Community Foundation, Greater Piscataqua Community Foundation, Lakes Region Charitable Foundation, Northern New Hampshire Foundation, Manchester Regional Community Foundation, and the Upper Valley Community Foundation. Each region operates with a high degree of local identity governed by its own board of directors, a larger pool of Incorporators, a nominating process, and annual meetings. Each issues its own annual report and administers its own grant-making program, operating budget, development program, and special initiatives. Each develops its vision, mission, objectives, strategic plan, and annual work plan jointly with NHCF. Through all these different structures, NHCF continues to bring together a diverse and committed group of people from across the state to help develop its policies and make its grant decisions.

Program Development and Activities

NHCF has many programs that have evolved over the years, and today it manages more than 1,000 funds. These funds address "gaps in education, health care, and social services; stimulating community and economic development across the state; and working together to protect, preserve, and enhance our natural, historic, and cultural resources (NHCF, *An Introduction*: 2). Working through these issues enables the CF to meet its goal of enhancing the quality of life in the state. This is done through grant making, which has been

growing every year. For example, in 1998, a total of \$9.4 million was granted to 1,391 nonprofit organizations and 1,344 scholarships and loans were awarded to deserving students. The funds were distributed as follows: 20.3 percent to student aid; 19.4 percent to human services; 17.7 percent to education; 17.4 percent to public society good; 9 percent to arts and humanities; and the remaining 5.1 percent to health. In 1999, grants and loans totaled \$9.5 million, representing 1,587 grants to nonprofit organizations and 1,614 scholarship and loan awards to deserving students—a total of 23.4 percent to student aid; 11.6 percent in arts and humanities; 10.3 percent in education; 13.2 percent in environment; 4.1 percent in health; 26.4 percent in human services; and 11 percent in public society benefit.

To facilitate dialogue on important issues, NHCF funds the Center for Public Policy Studies, which was formed by the Business and Industry Association, New Hampshire Municipal Association, Chubb Life, and NHCF. The Center was formed to provide well-researched policy options and better-informed policymakers. The Center produces information, data, and policy alternatives on issues of public interest in New Hampshire. For example, in 1998, NHCF funded the Center to participate in a discussion on how public education should be funded. The CF's role in this discussion was to ensure that political leaders had complete information and thoughtful analysis to aid them in their deliberations. The Center provided information through regular reports and over public radio stations in New Hampshire.

The CF has other programs like the Statewide Partnership, formed in 1996 to facilitate support for multi-regional institutions and programs that address issues affecting the quality of life throughout the state. The main purpose of this fund is to support initiatives that transcend local boundaries. These are issues that would not necessarily be funded by the regional divisions of the CF.

NHCF, together with 14 businesses, participates in a Corporate Fund, which gives grants to nonprofit organizations statewide for technical assistance, strategic planning, and board management. Grants ranging from \$5,000 to \$15,000 a year are given to facilitate learning between these two groups. Another example of partnership is the support offered to a network of 12 organizations working on affordable housing. This

process is funded by the C.S. Mott Foundation, which enables the CF to work with the network to share basic business skills and other matters of importance to the group. The network has also dealt with both neighborhood housing repair and new affordable housing for people earning \$25,000 or less. The network works in a community and tries to respond to the needs of the community so that it can eventually become stable.

The New Futures Program is one of the new programs in the CF that was made possible by an anonymous gift of \$9 million. The mission of this organization is to promote and support innovative approaches to reducing alcohol, tobacco, and other drug problems in New Hampshire.

Grant-Making Process

The foundation has developed clear and simple guidelines to facilitate grant making. NHCF also organizes several grant-making meetings a year to discuss similar issues with other funding organizations to avoid duplicating their efforts. After each of three grant cycles, proposals are assigned to staff who assess them according to the priorities of NHCF. After this, the staff go through the process of judging the effectiveness of the organization and also trying to figure out whether funds are needed. These recommended proposals are then taken to the local board which is familiar with the area. Afterwards, the recommended proposals are taken to the main board for approval.

Guiding the grant-making process are mandates that included ensuring that the CF builds on existing resources, avoids duplication, and engages local leaders

Resource Mobilization and Building Endowment

Of all the case studies in this report, NHCF has the largest endowment, more than \$230 million, and a grant-making budget of almost \$10 million. NHCF is also the oldest and most experienced of all the CFs. Raising the initial endowment was much slower because people did not know much about the organization. More recently, the CF has done exceptionally well in terms of assets; today it ranks among the top 10 percent of the more than 500 community foundations in the country. More than 90 percent of these funds come from individuals who are committed to the state and want to see

it thrive and grow. Other sources of funds include the private sector, other foundations, and the government. These funds are given in the form of cash, stocks and bonds, real estate and other appreciated property, bequests, life income gifts, life insurance, and transfer of assets from private foundations. It is worth noting that NHCF has a far larger number of funds than most foundations its asset size or even many times larger. (1,200 funds together constitute NHCF's \$230 million endowment.) Only the New York Community Foundation, with almost \$2 billion in assets has a larger number of funds than NHCF. This reflects the giving patterns of New Hampshire and the CF's support for building small funds. To facilitate giving, NHCF has several types of funds that people can donate to, as outlined below.

- *Unrestricted funds:* These funds are the most flexible and responsive to changing community needs. With these funds, the responsibility for selecting the most appropriate grantees is placed with the board of directors.
- *Field of interest funds:* The donor specifies their particular field of interest to the beneficiary of income from the fund. Possible areas of support include human services, affordable housing, public education, and performing arts.
- *Advised funds:* In this case, the donor establishes a fund and retains the ability to make suggestions regarding distributions. They assume the role of an advisor and work with the foundation to make suggestions for annual grant making.
- *Designated funds:* These funds are given to provide ongoing annual support to one or more designated charitable organizations in perpetuity. Donors who wish to continue providing support for organizations they have supported over the years find this method ideal.
- *Scholarship funds:* In this case, the donor gives funds for scholarships and may at times specify criteria for a fund that assists an individual in pursuing educational goals, or recognizes individual excellence.

These diverse ways to contribute to the CF allows donors different opportunities to advance their charitable interests and to decide their level of involvement. This is also a great way to keep in touch with the CF

for those willing to do so.

NHCF encourages both small and large gifts, although in most cases, the interest is in people who invest large amounts over time. The CF's experience is that, typically, people give to the foundation after they have known it for 7–10 years and have lived in the state for some time. The foundation leaves the door open for those with small amounts of money to give to build ownership. In this case, the emphasis is on participation, not on amount. There are also examples of giving that are organized through grassroots efforts. For example, a total of 140 people contributed over \$132,000 to establish the Lilla Fund, which honors the retiring founding chair of the Upper Valley Community Foundation.

Endowments are of little value if not well invested. Over the years, NHCF has wisely invested donor contributions by pooling resources together in a combined Investment Fund. This work has been overseen by a very able Investment Committee “whose primary goal is to make current grants, while assuring that we do not erode the funds' capacity to meet future needs. Our secondary goal is to achieve the best investment return possible without taking risks that are inappropriate for an endowment” (NHCF 1997: 4). The committee is assisted by the New England Pension Consultants, which are the foundation's investment advisors. Examples of diversification of *investment* management include: real estate, global fixed income, high yield fixed income, domestic fixed income, international equity, domestic cap equity, and domestic large cap equity.

Opportunities and Challenges

This discussion clearly shows the pivotal role that NHCF played to create a very impressive endowment fund, mostly from local sources. It is undeniable that the CF has promoted and sustained philanthropy in New Hampshire; it has wisely invested its endowment and has given some of that money back to the communities it serves.

The CF is a powerful, statewide voice that has clearly linked the energies, talents, and needs of communities to the generosity of donors who want a bright future for New Hampshire. The CF, through its many funds and experience, provides philanthropic options

for donors and helps focus support where it is most needed.

NHCF has played a significant role in building capacity for the nonprofit sector and has effectively facilitated local ownership and participation through regional community foundations. This innovative regional structure allows for the targeting of resources to those who most need them. Having a statewide mechanism also allows the CF to keep the state together and address issues that are common to all. This structure also enables NHCF to benefit from other initiatives and both national and statewide dialogues. This process is facilitated by the CF's involvement in public policy and debate; the CF also convenes different groups to address national and state issues that affect them.

The main challenge for the NHCF seems to be the ability to continue growing endowments to levels that would enable it to have the resources to reach groups

and localities that it may not be reaching now. Maintaining relationships with current and prospective donors is an issue that the CF has to continually face.

The NHCF has a very large number of funds that are time-consuming to manage. But this large number of funds is a direct result of a decision by NHCF to support the creation of small endowments by donors of modest means, enabling many people in New Hampshire to "own a piece of the 'Rock'" and participate in philanthropy. In spite of these many funds, there are still many more initiatives that NHCF cannot fund because there is no funding source.

Another issue that the community foundations have to face is the fact that capacity building is a long process. The myriad demands on a foundation's time may affect what the CF is able to accomplish and could eventually lead to leaving out groups that may need the most help.

Notes

1. The term *civil society* is defined as diverse organizational forms that exist outside the state and the market which give voice to important social concerns or seek to meet human needs that neither the market nor the state can adequately address. The civil society sector includes organizations like NGOs, foundations, cooperatives, associations, cultural and regions groups, and trade unions, to name a few.

2. The term *donor agencies* will be used to refer to established formal development agencies like bilateral and multilateral organizations and large international foundations. Where the general term *donors* is used, it will cover a broader group of donors to include individuals, companies, and any other group providing funds for development.

3. There is no consensus on the terminology of these institutions, especially in developing countries where they take different forms. In the United States, the term *community foundation* covers institutions that provide donor services without necessarily targeting poverty or specific development issues. Community development foundations are used in this report because the emerging CFs in developing and transition countries target community-based development and poverty reduction by raising funds to build endowments and make grants to local organizations. In these contexts, a community development foundation has been defined as “an independent, philanthropic organization (part of the non-profit, non-governmental sector) dedicated to addressing critical needs and improving the quality of life in a specific geographic area” (C.S. Mott 1998a). Community development foundations can, however, be better identified by their characteristics, which include mixing program operation with grant-making, mobilizing resources to fund the civil society sector and for endowment, providing donor services, convening civil society groups, bridging institutions to other sectors, as well as providing technical assistance and training. In some countries like the United States, community foundations have been defined as “a publicly supported philan-

thropic institution serving a defined geographic area and governed by a volunteer board of private citizens representative of the public interest. It administers funds from an endowment built from contributions by individuals, corporations, other foundations, or government.”

4. *Endowments* are funds in which the principle amount is never spent in order to provide ongoing income in the form of interest, to be used for charitable and development purposes.

5. This is particularly the case in developing countries and in Eastern Europe where CFs have been created to fill specific gaps in each development context.

6. The term *NGO* tends to be confusing. Taken literally, it would refer to organizations neither governmental nor private. In practice, however, the term has evolved to be proprietary to nonendowed intermediary organizations (that is, between government and others) whether their primary role is advocacy or operational.

7. Community-based organizations (sometimes referred to as civil society organizations) are mainly grassroots organizations characterized by distinct membership and usually defined by specific interests. Although these CBOs are mostly informal, some countries may require their registration in various government ministries.

8. The major foundations have demonstrated success in pooling their resources to support CFs in developing countries. Examples of partnerships in support of CFs in developing countries include partnerships between: the Ford, the C.S. Mott, and Kellogg foundations in South Africa; Ford and Aga Khan foundations to form the Kenya Community Development Foundation; the Rockefeller and Ford foundations in Esquel Foundation in Ecuador; International Youth Foundation, Ford, Rockefeller and MacArthur foundations to form the Oaxaca Community Foundation; and the MacArthur and Ford foundations to form the Mozambique Community Development Foundation, which has also

benefited from the debt swap from the World Bank and other bilateral agencies. Other partners in these efforts include large international NGOs and the private sector.

9. Noninvestment funds have become an attractive alternative for endowments because these funds allow the organization to attract, manage, and distribute funds for the benefit of the endowment. The law defines the fund as “a nonprofit legal person, which gathers funds for the purpose of fulfilling general public benefits or individual humanitarian help for those individuals or groups who are under threat or who have suffered disaster in their lives.” A noninvestment fund may own property, provided that the income from the property is used for the purpose defined by the statutes of the orga-

nization. All financial assets must be held in a financial institution registered in the Slovak Republic. Management expenses must be 15 percent or less of the total annual disbursements of the fund. All other regulations of the noninvestment fund are similar to that of the foundation except the registration process. Although these are supposed to register in regional administrative centers, the amount of scrutiny, reporting requirements, and controversy are greatly reduced (Aserova and Thomas 1998: 15).

10. A community foundation starts when a small group interested in community issues gets together and invites others to join them; they then decide to raise endowed funds with the foundation irrespective of the amount.

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Annex 1. Case Study Questionnaire

General Questions

- Historical development of the organization (when, by whom, and why).
- Initial and current objectives.
- Have these changed over time and why?
- What are the main activities of the organization?
- Area covered: national, regional, etc. (constituency served and how it is delineated, whether geographically or ethnically).
- Target group and why?
- Is it a grant-making organization, capacity building etc.? Please give details on the organization's focus.

Governance Structure and Management

- Governance structure.
- How are the board members selected and how often?
- Interests represented on the board.
- Decision-making structure.
- What determines whether one activity is done as opposed to another (what do you do if there is no money for a project yet it is needed by the community)?
- What do you give grants for?
- How are the funds distributed?
- How is local leadership identified and how is it developed?
- What defines your agenda and work programs?
- Who makes decisions on activities to be undertaken? Describe the process.

Assets/Asset building

- Total assets.
- How these assets were acquired and over what period of time?

- Who owns these assets?
- What are the sources of contributions (individual, corporations, other foundations, government, etc.)?
- Does indigenous philanthropy exist and how are you building on this?
- Rules and regulations that facilitate/discourage philanthropy.
- How are assets linked to the community assembled? How are endowments built; main contributors and main problems.
- Where do they get these funds from (external/internal)?

Involvement of Stakeholders

- Which stakeholders are involved (include public, private, and civil society organizations)?
- Identification of major partners.
- Discuss the process highlighting benefits and challenges.
- What are the roles of the different partners?
- Specify community involvement (explain in detail what this means in your situation).
- How do donors and benefiting communities work together? (Does this foster relationship of communities to donors? What are the mechanisms used to ensure this)
- Challenges and opportunities.

Community

- What constitutes community?
- What, in your experience, are some representative community structures?
- What is the role of existing community structures and how have you built on these, or did you build new structures?

- Have you been involved in community capacity building? What does this mean and how has this been done?
- Had these communities dealt with other donors and how were the activities handled
- How are relationships with the community strengthened?
- How extensive is the knowledge base of communities they are working with, and how was this knowledge acquired.
- How is community ownership facilitated?
- Main challenges and opportunities.

Sustainability

- Main sources of funding.
- Community funds—do they exist and who decides how much to access?
- Availability of long-term funding?
- Flexibility of funding and what determines this?
- Identify main challenges to sustainability and how these challenges are being addressed.

Annex 2. List of Persons Interviewed

AFRICA

Foundation for Community Development

Mozambique

Av. Eduardo Mondlane,
1170 R/C Maputo,
Mozambique

Fumo Carlos Executive Director
Carlos Manjate Fundraising and
Communication Officer

M. Cumbi

Machel, Graca President and board Chair

Diniz, Celia Founding member

Carrilho, Julio Board member

Ana David TEIA

Carvalho Neves Founding member

Manuel Condula Rede National De Ongs
Contra Droga

J. Mutombene Rural Association for
Mutual Support (ORAM)

Ministry of Foreign Affairs & Cooperation, Mozambique

Av. Julius Nyerere N. 03,
Maputo, Mozambique

Luis Adelino da Silva Deputy Director

Kenya Community Development Foundation

P.O. Box 40898
Nairobi, Kenya

Monica Mutuku Director

Margaret Lubaale Asset Development Officer

Nora Mwaura Program Officer

Beverly Nuthu Finance Officer

Aleke Dondo Board member

Elkanah Odembo Board member and chair

Thomas Miller Board member

Aga Khan Foundation

ICEA Building,
Kenyatta Avenue, Nairobi

Mirza Jahani Regional Chief Executive
Officer

The Ford Foundation

P.O. Box 41081

Nairobi Kenya

Katharine Pearson Representative—Office for
Eastern Africa

Tade Akin Aina Program Officer

Uthungulu Community Foundation

P.O. Box 1748

Richards Bay 2900
S. Africa.

John Mabuyakhulu Board chair

Louis van Zyl Board member

Center for Organizational Effectiveness (SED- IBENG)

P.O. Box 32286 Braamfontein,
2017, South Africa

Mogano

Reuben Mogato Associate Program
Director

Charles Stewart Mott Foundation

23 Jorissen St. P.O. Box 32088 Braamfontein, 2017
South Africa

1200 Mott Foundation Bldg. Flint, MI 48502

Christa L. Kuljlan Program Officer

Interfaith Community Development Association
P.O. Box 31389, Braamfontein, 2017, South Africa
Ishmael Mkhabela Executive Director

Kagisco Trust
209 Smit St. Braamfontein, 2001
South Africa,

Thabiso Ratsomo National Program
Director

Simon Maleka Administration and
Human Resources Manager

Office of the Deputy President
Sibongile Mkhabela Director of Projects and
Programs

Pact S. Africa
Sable Center 6th Floor 41 de Korte Street
P.O. Box 32286, Braamfontein 2017
Marilyn W. Richards

South African National NGO Coalition
(SANGOCO)
P.O. Box 31471 Braamfontein, 2017
Anthea Bingle

Southern African Grantmakers' Association
(S.A.G.A).
Executive Director
PO Box 31667 Braamfontein 2017, South Africa
Mokhethi Moshoeshoe Executive Director
Max Legodi Program Director—
Community Foundation

The Development Resource Center
P.O. Box 6079
Johannesburg 2000 South Africa
Philisiwe Bulunga Manager: Training
Tlalane Lesoetsa Researcher

USAID S. Africa
Peter Gert

West Africa Rural Foundation
Allées Seydou Nourou Tall No. 4318 CP 13
Dakar-Fann Sénégal
Fadel Diame Regional Director

Coumba Fall Head of the
Organization and
Network Dev. Unit
Momadou Ba Head of Unit for the
Review of Sustainable
Dev. Strategies
Thierry Barreto Fernandes Program Officer
Oumou Wane Administrative and
Finance Director

CODESRIA
B.P. 3304 Dakar, Senegal
Hakim Ben Hammouda Senior Program
Officer

EASTERN EUROPE

Community Foundation of Usti nad Labem
Horova 1262/6
400 01 Usti nad Labem
Czech Republic
Tomaz Krejci Executive Director
Lubimor Krbec Former Executive Director

Healthy Cities Community Foundation, Banska
Bystrica and Zvolen
Horná 67, 1 Poschodie 974 01
Banská Bystrica, Slovak Republic
Hirt Beáta Executive Director
Mesik Juraj Board Member

Carpathian Foundation
Hlavna 70, 040 0A1 Kosice, Slovak Republic
Sandor Koles Executive Director
Laura Dittel Country Director, Slovak
Republic
Laslo Gaias Grantee

Charles Stewart Mott Foundation
Zitna 8 (rear, 3rd floor)
120 00 Prague 2
Czech Republic
Clare Brooks Representative Central and
Eastern Europe
Shannon Lawder Program Officer—Russia
& Ukraine

Lenka Setkova Associate Program Officer
J. Walter Veirs Associate Program Officer

Czech Donor's Forum

Stipanska 61
 11602 Prague 1 C. R.

Helena Ackerman Executive Director

Nadace Via

Jeleni 200/3
 118 00 Praha 1
 Czech Republic

Julia Szanton Program Manager

Open Society Fund—Prague

Prokopova 9
 130 00 Prague 3
 Czech Republic

Jaroslava Stastna Program Manager

LATIN AMERICA

Oaxaca Community Foundation (Fundation Comunitaria Oaxaca)

Vincente Guerrero No. 311 Col. Centro
 C.P. 68000 Oaxaca, Mexico

Jaime Bolanos Cacho Guzman Director General

Guadalupe Cruces Carcia Coordinadora de Responsabilidad Social

Julio Cesar Cordova Garcia Director de Programas

The Ford Foundation

Alejandro Dumas 42,
 Col. Polanco
 11560 Mexico, D. F.

Pablo Farias Representative

Asociacion Programa Compartmos I.A.P.

Paseo de la Reforma 1110
 Lomas de Chapultepec
 C.P. 11000 Mexico, D.F.

Kikis A. Zavala Directora de Desarrollo

Centro Mexicano Para la Filantropia (CEMEFI)

Cerrada de Salvador Alvarado No. 7
 Col. Escandon. 11800, Mexico, D. F.

Jorge Villalobos Grzybowicz Presedente Ejecutivo

Consuelo Castro Salinas Asesoria Legal

Fondo Mexicano Para la Conservation de la Naturaleza, A.C.

Calle Dama No 49 Col. San Jose
 Insurgentes C.P. 03900

Mexico, D. F.

Renee Gonzalez Montagut Directora del Fondo para Areas Naturales Protegidas

Fundacion Mexican Para la Salud

Preferico Sur No. 4809 Col.El Arenal Deleg. Tepepan
 14610 Mexico, D. F.

Guillermo Soberon Presidente Ejecutivo

Cuauhtemoc Valdes Olmedo Director de Planeacion y Desarrollo

Fundacion Mexican Para el Desarrollo Rural, A.C.

La Quemada No. 40, Col. Narvarte 03020
 Mexico, D. F.

Antonio Ruiz Garcia Director General

Alfredo Espinose Jimenez Director de Planeacion

Fundacion Vamos

Peten 204, Col Narvarte
 Mexico D.F. C.P. 03020

Rogelio Gomez-Hermosillo Director General

EUROPE

Greater Bristol Foundation

Royak Oak House,
 Royal Oak Avenue
 Bristol, BS1 4GB

Helen Moss Director

Alice Meason Assistant Director

Oxfordshire Community Foundation

15-19 George St. Oxford Oxi 2AU

Nick Thorn Director**Community Foundation Network**2 Plough Yard, Shoreditch High Street
London, England**Gaynor Humphreys** Director**Bernard Van Leer Foundation**Eisenhowerlaan 156,
P.O. Box 82334,
2508 EH The Hague,
The Netherlands**Rien van Gendt** Executive Director**Liesbeth J.A Zwitser** Advisor to the Executive
Director**Gerry Salole** Director ProgramDocumentation and
Communication**Paula Nimpuno** Program Director—Africa
Desk**Tanja van De Linde** Program Specialist**European Foundation Center (EFC)**

51, rue de la Concorde B-1020

Brussels-Belgium

Suzanne Feurt Coordinator Community
Philanthropy Initiative**King Baudouin Foundation**

Rue Brederrodestraat 21 B-1000 Brussels

Belgium

Jean-Paul Warmoes Adviser**UNITED STATES****Montana Community Foundation**

101 N. Last Chance Gulch, Suite 211

Helena, Montana 59601

Sidney Armstrong Executive Director**Mary Ann Gorsich** Chief Financial Officer**Terri Haaga** Grants Officer**Bill Pratt** Program Director**Ralph Yaeger** Development Director**Steve Browing** Former Board Chair**New Hampshire Charitable Foundation**

37 Pleasant St. Concord, NH 03301

Feldstein, Lewis President**Vasbinder, Patricia** Vice President**Cantor, Alan M.** Vice President**Comstock-Gay, Stuart** Vice President**Speltz, Nike F.** Program Officer**Charles Stewart Mott Foundation**

1200 C.S Mott Foundation Building

Flint, MI 48502-1851

Elan D. Garonzik Program Officer**International Youth Foundation**

34 Market Place, Suite 800 Baltimore, MD 21202

Carol Michaels O'Laughlin Vice President**National Center for Non-Profit Boards**

1828 L Street, NW Suite 900

Washington, DC 20036

Crispin Gregoire Director—Global Programs**Eliana Vera** (former Director of Global
Programs)**Pact Headquarters**

1901 Pennsylvania Avenue, NW

Washington, DC 20006

Louis Mitchell President and Chief

Executive Officer

Joy Beaton Consultant**The Aspen Institute**

One Dupont Circle NW

Washington DC 20036

Janet Topolsky Associate Director**The Ford Foundation**

320 East 43rd Street

New York, NY 10017

Elizabeth Campbell Senior Director**The Synergos Institute**

100 East 85th Street,

New York, NY 10028

Bruce Schearer President**David Winder** Director of Programs

Acronyms and Abbreviations

ACTAF	Association of Community Trusts and Foundations
CANICA	Centro de Apoyo al Niño de la Calle
CEMEFI	Mexican Center for Philanthropy
CBOs	community-based organizations
CDD	community-driven development initiative
CDF	Comprehensive Development Framework
CFBB	The Community Foundation of Banska Bystrica
CFs	community development foundations
CFN	community foundation network
CNCR	National Council for Consultation of Rural Actors
CSOs	civil society organizations
EWI	EastWest Institute
FDCE	Fund for the Development of the Carpathian Euroregion (Carpathian Fund)
HCCF	Healthy City Community Foundation of Banska Bystrica and Zvolen
FDC	Foundation for Community Development, Mozambique
GBF	Greater Bristol Foundation
GEF	global environment facility
IDB	Inter-American Development Bank
IAF	Inter-America Foundation
IDRC	International Development Research Center
IREN	Development Innovation Network
IYF	International Youth Foundation
KCDF	Kenya Community Development Foundation
MCF	Montana Community Foundations
NGOs	nongovernmental organizations
NHCF	New Hampshire Charitable Foundation
OCF	Oxfordshire Community Foundation
PHARE	Poland and Hungary Assistance for Economic Restructuring
PRA	participatory rural appraisal
PRSP	Poverty Reduction Strategy Papers
PSAOP	Program to Reorganize Agricultural Department and Producer Organizations
SAGA	South African Grantmakers' Association
SIDA	Swedish International Development Agency
SNV	Dutch NGO
UCF	Uthungulu Community Foundation
ULCF	Usti nad Labem Community Foundation

U.K.	United Kingdom
U.S.	United States
USAID	United States Agency for International Development
WARF	West African Rural Foundations
WHO	World Health Organization
ZCFB	Zululand Chamber of Business Foundation



The World Bank
1818 H Street N.W.
Washington, D.C. 20433 USA
Telephone: 202-477-1234
Facsimile: 202-477-6391
Internet: www.worldbank.org
E-mail: feedback@worldbank.org

NGO and Civil Society Unit
Social Development Department
Facsimile: 202-522-1669
Internet: www.worldbank.org/ngos
E-mail: ngo@worldbank.org

