

NONPROFIT AND CIVIL SOCIETY STUDIES  
An International Multidisciplinary Series

# INNOVATION IN STRATEGIC PHILANTHROPY

*Local and Global Perspectives*



EDITED BY  
HELMUT K. ANHEIER, ADELE SIMMONS,  
AND DAVID WINDER

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PHILANTHROPY**  
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## NONPROFIT AND CIVIL SOCIETY STUDIES

An International Multidisciplinary Series

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*Local and Global Perspectives*

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## FOREWORD

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This volume is a product of the International Network on Strategic Philanthropy (INSP). Between 2001 and 2005, INSP functioned as a joint initiative of foundations experts to explore the policy, leadership and management challenges facing philanthropy in different parts of the world (see [www.efclinsp.be](http://www.efclinsp.be)). Specifically, INSP sought to establish a peer exchange network of know-how and experience around a number of central questions:

- What are best practices of strategic philanthropy, and how can they be identified?
- How can best practices and innovative approaches to foundation management be disseminated?
- How can efforts of strategic philanthropy be sustained and achieve greater impact?
- How can professionalization of philanthropy be promoted, and how can know-how and managerial competence be shared?
- How can new donors and forms of philanthropy be encouraged?

Soon participants realized that most research of philanthropy deals with organizations and institutions in developed market economies, in particular the United States. Whereas studies have been carried out on philanthropy in Europe, Australia or Japan, we know very little about the role, operations, and above all, the innovative potential of philanthropy in other part of the world. What are the philanthropic cultures and practices in Central and Eastern Europe, Latin America, Africa and Asia, and how do they differ cross-nationally, and in particular from the US and Western European experience? These questions gave rise to the work in Part I of this volume.

Specifically, we commissioned a number of case studies from international experts to address the following key questions:

- What innovations take place in different philanthropic cultures?
- What are best practices, and how can philanthropy achieve greater social change?
- Are there practices and models that are transferable from one culture of giving to another?

Moreover, participants also realized that little is little is known about transnational philanthropy, and above all, its distinct role in an era of globalization. This reasoning led to the chapters included in Part II of this volume. The various contributions in that part look at different aspects of transnational philanthropy and, through a series of case studies, examine the challenges and opportunities as well as strengths and weaknesses of philanthropy in relation to global problems and situations where local and international philanthropic action becomes necessary. The case studies explore the strategic role for philanthropy as a global player, and ask: does philanthropy have a strategic, distinct role in the globalization process, and where and how can it achieve greatest added value? How can philanthropy approach solutions to global problems in innovative ways?

## ACKNOWLEDGMENTS

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## CONTENTS

---

|   |            |
|---|------------|
| <b>Foreword</b>   | v          |
| <b>Acknowledgements</b>   | vii        |
| <b>Contributors</b>   | xi         |
| <b>List of Figures and Tables</b>   | xv         |
| <br>  |            |
| <b>PART I: LOCAL PERSPECTIVES</b>   | <b>1</b>   |
| <br>  |            |
| <b>1. Introduction</b>  | <b>3</b>   |
| Helmut Anheier and David Winder   |            |
| <br>  |            |
| <b>2. Brazil</b>  | <b>7</b>   |
| Marcos Kisil  |            |
| <br>  |            |
| <b>3. Central and Eastern Europe</b>  | <b>21</b>  |
| Miroslav Pospíšil   |            |
| <br>  |            |
| <b>4. Mexico</b>  | <b>37</b>  |
| David Winder  |            |
| <br>  |            |
| <b>5. Pakistan</b>  | <b>57</b>  |
| David Bonbright   |            |
| <br>  |            |
| <b>6. Cases from the Philippines in Innovative Philanthropy:<br/>    An Overview of the Philippines</b> | <b>61</b>  |
| Natasha Amott   |            |
| <br>  |            |
| <b>7. South Africa</b>  | <b>79</b>  |
| Dugan Fraser  |            |
| <br>  |            |
| <b>8. Thailand</b>  | <b>93</b>  |
| Paiboon Wattanasiritham   |            |
| <br>  |            |
| <b>9. Conclusion</b>  | <b>107</b> |
| David Winder and Natasha Amott  |            |
| <br>  |            |
| <b>PART II: GLOBAL PERSPECTIVES</b>   | <b>115</b> |
| <br>  |            |
| <b>10. Introduction</b>   | <b>117</b> |
| Helmut Anheier  |            |
| <br>  |            |
| <b>11. Distinct View—Intervening in the Practices of the Public<br/>    and Private Sector</b>          | <b>121</b> |
| Melanie Beth Oliviero and Adele Simmons   |            |



|   |            |
|---|------------|
| <b>12. The Global and Local Dimension</b>   | <b>139</b> |
| Dan Nielsen   |            |
| <b>13. Philanthropy and Networks in Global Civil Society</b>  | <b>151</b> |
| Giuseppe Caruso   |            |
| <b>14. The Role of Philanthropy Within the United Nations System: The Case of the United Nations Foundation</b>               | <b>167</b> |
| Stefan Toepler and Natascha Mard  |            |
| <b>15. Philanthropic Foundations' Assistance in Post-Conflict Situations: A Case Study of Post-Communist Southeast Europe</b> | <b>183</b> |
| Natalia Leshchenko  |            |
| <b>16. The Infrastructure of Global Philanthropy: Wings and Wings-CF</b>  | <b>199</b> |
| Diana Leat  |            |
| <b>17. Conclusion</b>   | <b>213</b> |
| Helmut Anheier and Marcus Lam   |            |
| <b>Index</b>  | <b>223</b> |

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## LIST OF FIGURES AND TABLES

---

|  |            |
|--|------------|
| <b>Sources of Funding for Mexican Foundations</b><br>(Table in Appendix of Chapter 4)  | <b>53</b>  |
| <b>Table 1. List of Grassroots Savings Groups, 2002</b><br>(Chapter 8 Thailand, Case Two)  | <b>100</b> |
| <b>Table 1. Percentage Distribution of UNF and Partner Funds by Program Area</b><br>(Chapter 14, UN Foundation Chapter)                      | <b>170</b> |
| <b>Figure 1. From Priorities to Project Development</b><br>(Chapter 14, UN Foundation Chapter)   | <b>171</b> |
| <b>Table 2. Share of UNF and Other Donors of Accumulated Support for<br/>UNFIP-channeled Projects</b><br>(Chapter 14, UN Foundation Chapter) | <b>177</b> |

## **PART I: LOCAL PERSPECTIVES**

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## **INTRODUCTION**

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Helmut Anheier and David Winder

Most research on philanthropy and all but a few case studies on foundations are based on organizations and institutions in developed market economies, in particular the United States. While we have the beginnings of a knowledge base on philanthropy in Europe, Australia or Japan, we know very little about the role, operations, and above all, the innovative potential of philanthropy in other parts of the world. It is against this background that the chapters in this part have been written. What are the philanthropic cultures and practices in Central and Eastern Europe, Latin America, Africa and Asia, and how do they differ cross-nationally, and in particular from the US and Western European experience?

Of course, as research has shown, philanthropic foundations vary in form, meaning and operations from one country or region to another. Indeed, one of the first insights to be drawn from comparative research is that foundations are different in a number of critical aspects once we leave the cultural and legal boundaries of the western-style developed market economies:

- > Very few foundations are founded by a wealthy family or individual.
- > Very few have endowments that are large enough to support both their administration and grant-making programs. Many have no significant endowments at all.
- > Given their lack of endowment income, most rely on diverse funding from public and private sources, both domestic and international. Most of the funding is for specific donor-designated programs.
- > Most operate programs in addition to giving grants or loans, i.e. they are hybrid operating/grant-making foundations.
- > They operate within a wide range of philanthropic cultures and frequently in less than enabling legal and tax environments.
- > There are many foundation-like organizations that mobilize resources by drawing on specific philanthropic cultures locally.

To be sure, these resource-poor and hybrid organizational forms are a far cry from the professional, large-scale foundations in the US or Western Europe, but they are nonetheless philanthropic institutions that are more reflective of local needs and capacities, and with greater innovative potential than some ready-made, imported legal form could offer. Unfortunately, little systematic research and few studies are available on innovations in philanthropic institutions in the global South and in Central and Eastern Europe. Little information exists on the way in which local foundations in developing and transition

countries may already be engaging in strategic philanthropy, or what appropriate definitions of strategic philanthropy in different contexts might be. As a result, we have little understanding of the challenges they may face and the impact they may have in their societies, and in particular at the local level.

To help fill this glaring gap in our knowledge of philanthropy outside developed market economies, we commissioned a number of case studies from international experts. Together, the case studies are to address the following key questions:

- > What innovations take place in different cultures of giving?
- > What are best practices, and how can philanthropy achieve greater social change?
- > Are there practices and models that are transferable from one culture of giving to another?

In approaching the case studies, we relied on the expertise of a wide range of experts, and build on work already completed by the Synergos Institute in South East Asia (Philippines and Thailand) and Latin America (Brazil and Mexico). In these countries, the Synergos Institute had completed surveys of foundations with a grant-making component (more than 10% of their budget). These surveys provide basic data on organizations in the sector and information on the legal/tax environment together with information on the historical development of the foundation sector.

The various contributions in this part reflect two levels: the national level that serves as background and provides the context for the second level, i.e., the more specific institutional case studies of particular organizations, initiatives or projects. Specifically: based on consultations along INSP members and the Synergos Institute survey, we selected:

- > Two countries in Latin America, e.g., Brazil (innovations in corporate philanthropy and community philanthropy) and Mexico (innovations also in civil society led philanthropy institutions and community foundations).
- > Two countries in Asia, i.e., Philippines with a Christian tradition and long experience with philanthropic institutions (both corporate and private) and Thailand with a rich experience in traditional philanthropy (Buddhist and Chinese clans).
- > Southern Africa: Innovations in corporate foundations (mining companies) and national community development foundations.
- > Central and Eastern Europe, with rapid and diverse developments in the foundations sector since 1989, bringing in 'imported' models from the US and Western Europe (EU influence) but also reviving older philanthropic traditions.
- > In addition, we selected a case study of the Aga Khan Foundation's activities in Pakistan as an example of a philanthropic institution in the Islamic tradition.

In selecting the actual case studies, we were guided by the definition and theoretical framework developed by Natasha Amott<sup>1</sup> 2004 for the Synergos Institute in New York, and used the term foundation-like organization. We then applied the following criteria in drawing up a list of potential cases for examination:

- > Foundation-like organizations (FLO's) that are agents of social change.
- > FLO's that are seeking to be strategic by focusing on specific needs, issues and challenges in their societies and systematically addressing them through clearly defined programs.



- > FLO's that have developed resource mobilization strategies that are potentially sustainable and replicable.
- > FLO's that have worked on a scale that has produced significant impact.

To the extent possible, each of the cases so selected in the countries mentioned above, also addressed the following questions:

- > How did the FLO identify the specific needs, issues and challenges to address (i.e. mission and vision)?
- > How did it develop a strategic approach to address identified needs?
- > Which strategies/programs/mechanisms proved most effective, and why (e.g. grant-making, loan making, capacity building of civil society organizations, convening, support for policy analyses etc.)?
- > How did the FLO select which institutions and individuals to partner with in order to most effectively meet its objectives?
- > How did the FLO evaluate its progress and impact, and how did this result in learning, create knowledge, and inform decision-making?
- > How did the FLO deal with the challenge of raising and managing financial resources to enable it to fulfill its mission?
- > What specific innovations took place and in what field of operation (e.g., governance, fundraising, program, inter-sectoral partnerships)?
- > Are there best practices that could be transferable, under what conditions, and with what modifications?

The case studies draw on secondary and primary sources as well as interviews with key actors and experts. They begin with an overview that identifies major trends in local and regional philanthropy, with an emphasis on foundations and foundation-like institutions over the past 20 years, and a description of the specific cultural, historical and political context. The overview scans the different institutional expressions of philanthropy as well as sources of funding, leadership, legal forms and governance; identifies the range of philanthropic institutions that have emerged (including community foundations, environmental partnerships, public policy think tanks); examines the role they play (statistical information is provided where available); summarizes the major sources of funding for foundations (including private and corporate, national and international); and points to policy debates and issues, as applicable.

The various contributions in this part then, present two or three cases selected using the above criteria. In each country or region, contrasting cases of innovative philanthropic institutions (e.g. community foundations, corporate foundations, private foundations, religious foundations and community led initiatives that may not even be called "foundations") provide a range of strategies and innovation in different cultural, political and religious contexts. Specifically:

- Marcos Kisil looks at innovations in philanthropy in Brazil in the field of corporate social responsibility and corporate philanthropy, and presents three case studies: the Abrinq Foundation, created by the Brazilian Association of Toy Manufacturers; the Boticario Foundation for Nature Conservancy; IDIS an organization supporting community philanthropy and private social investment.

- David Winder focuses on Mexico and the role of CEMEFI, the Centro Mexicano para la Filantropía; FECHAC, a business-led foundation that works in alliance with civil society institutions and government; the Fundación Vamos, and the Oaxaca Community Foundation.
- Paiboon Wattanasiritham present an overview of philanthropic cultures in Thailand, and then offers a case study of the Population and Community Development Association; he also looks at community self-help organizations, including the Klong Pia and the Trad Province savings groups.
- Miroslav Pospisil looks at developments in Central and Eastern Europe, and begins with an overview of the profound and far-reaching changes that have taken place in the region over the last 15 years since the fall of communism. He then concentrates on two case studies: the Environmental Partnership Foundation, and the Healthy City Karvina organization.
- Natasha Amott explores innovative philanthropy in the Philippines and offers an introduction into the history and current legal and fiscal situation in the country's culture of giving before examining two cases in more detail: the Consuelo Foundation, and the Peace and Equity Foundation.
- Dugan Fraser presents an overview of the current state of philanthropy in South Africa against the background of challenges presented by post-Apartheid society. He analyzes the Liberty Foundation and the Nelson Mandela Children's Fund.
- Finally, David Bonbright offers an analysis of the Aga Khan Foundation's attempt to create an indigenous infrastructure and support network for philanthropy in Pakistan, the Initiative on Indigenous Philanthropy.

A concluding chapter by David Winder and Natasha Amott brings together the major results of the various country chapters and case studies, identifies critical innovations in strategic philanthropy, and focuses on best practices and lessons learned.

## Endnote

- <sup>1</sup> Amott, N. (2004). *Interpretations of Strategic Philanthropy: Cases from the Philippines and Indonesia*. New York: Synergos Institute.

---

Marcos Kisil<sup>1</sup>

### **Introduction**

Brazilian philanthropy is not a new phenomenon. Since the Portuguese colonized Brazil as a Catholic society in the 1500s, charity has been part of the Brazilian culture. Catholic non-profit organizations became the sole providers of quality education and health services in the country for many years.

More recently, during the 1980s, Brazil initiated its transition from a military dictatorship to a democratic regime. As a result, three related factors led to the present status of Brazilian philanthropy: (a) the failure of government to guarantee basic rights of the 1988 Constitution such as providing health services, education, housing, sanitation, etc.; (b) the rise of a civil society movement that resulted in thousands of new non-profit organizations based on volunteer work of private individuals operating as citizens; and (c) the realization of business entrepreneurs that their skills, knowledge, and networks could also make them effective social entrepreneurs.

Brazil's greatest challenge is its concentration of wealth in a small portion of the society. Poverty and indigence are widespread; educational attainment is far from what can be expected given the level of Brazilian development; health indicators remain alarmingly low; regional imbalances are large; and income and wealth inequality have reached one of the highest levels among modern urban industrial societies. The reasons for this grim picture are complex, historically rooted, and not entirely explained by existing academic knowledge. To face the challenge resulting from this situation is an urgent responsibility for all Brazilians, but particularly for those few that belong to its small and privileged economic, political, social and cultural elite.

To overcome this immense Brazilian social debt, it is imperative that new and dynamic forms of participation, public control, experimentation and collaboration between federal, state and municipal governments take place; and that different forms of partnership between governments, unions, universities, civil society organizations, churches and the private sector, are permanently facilitated, created, and supported.<sup>2</sup>

In this sense, the modern Brazilian philanthropy which we call *private social investment* should be taken as a strategic element to foster national development. It is based on the needs of excluded people, on the capacity of citizens organized around community based

organizations, and on the strategic participation of social investors such as corporations, families or private individuals organized around a community philanthropy organization. Following a brief, historical overview of Brazilian philanthropy, this paper will discuss its current status. Specific cases will be described to illustrate the most important characteristics of the sector and the innovations they are creating for Brazilian society.

## Background

The problems with which the country has to contend present a grave challenge. According to the *World Development Report, 2004*,<sup>3</sup> [1] Brazil is the world's tenth largest economy, with a GNP of US \$1,266 billion. But the same report indicates that Brazil entered the 21st century with 10 per cent of its population owning almost 47 per cent of the country's wealth, while another 20 per cent of its people subsist on only 3.6 per cent.

Poverty is widespread, both educational attainment and health indicators remain low, in the latter case alarmingly so. Regional imbalances are great and income and wealth inequality has reached one of the highest levels among modern urban industrial societies. Despite the end of 20 years of military dictatorship in 1985, successive democratic governments have failed to guarantee the basic rights set out in the 1988 Constitution in health, education, housing and sanitation.

Recently, however, three developments have offered hope of more rapid progress towards an equitable society:

- > the emergence of a civil society movement, which has resulted in the formation of thousands of new CSOs;
- > a growing awareness among the private sector that its skills, knowledge and networks can be turned to social ends;
- > A continuous growth of philanthropy or private social investment as a way of citizenship participation in the overall process of Brazilian development.

## *Emergence of civil society*

Since the country's discovery in 1500, the Catholic Church, whose influence grew throughout the colonial, empire, and republic periods, has inspired Brazilian philanthropy. As a result, philanthropy became linked with the ideas of *charity* and *mercy*: giving to the poor was motivated by their misery of the poor and used by givers as a means of gaining forgiveness for their sins. Philanthropy thus became an activity of wealthy people wanting to save their souls. It became attached to the well being of givers, based upon their understanding of the needs of the poor, and allowed them to be the sole decision-makers regarding the use of their money and areas of interest. Such philanthropy did not change the status quo of the poor, but it did play a unique role in fostering private hospitals and schools, and forging substantial values among Brazilian elites.

In more recent times, the development of an effective Brazilian civil society was hampered by the military dictatorship (1964-85), under which any movement or organization that could be seen as challenging the regime was persecuted, and its leaders either disappeared, imprisoned, or exiled. With the coming of democracy, however, this changed and the process was accelerated by subsequent political events. In 1992, President Collor

de Melo underwent an impeachment process following a series of reports on corruption, some of which involved philanthropic institutions connected to elected officials.

The need for a civil society organization (CSO) capable of demonstrating to the country that community involvement is part of citizenship and that philanthropy is based on ethical behavior prompted the establishment of GIFE (Group of Institutes, Foundations and Enterprises), a membership organization similar to the US Council on Foundations or the European Foundation Centre, but with a predominant number of corporations rather than foundations as members.<sup>4</sup>

Other elements of civil society have also evolved dramatically, with a rapid increase in the number and size of CSOs involved in development work in Brazil. It is estimated that 750,000 CSOs exist, of which 250,000 have reached some level of legal formality and 50,000 are active participants in the social and political life of Brazilian society.

CSOs are playing a leading role in transforming Brazilian society.<sup>5</sup> They have demonstrated an ability to work with people in need and an ability to deliver development services at a relatively low cost to a large number of people. The Brazilian public generally endorses them. In a poll conducted in 2001 by the Instituto Brasileiro de Opinião Pública (IBOPE) for the Brazilian Association of NGOs (ABONG), 58 per cent of respondents approved of NGOs' impact (and 13 per cent disapproved), while 23 per cent agreed that NGOs have an important role to play in Brazil. The sector is based on entrepreneurship as well as on volunteerism. Individuals looking for opportunities for social change and measurable results have generated a critical mass of 'social entrepreneurs.'

But if it is non-profits that have been in the vanguard of this tendency, there are increasing signs that both the private sector and government have begun to move in the same direction.

### *Corporate social responsibility gaining ground*

Another important development is that corporate social responsibility (CSR) has begun to feature on the agenda of businesses.<sup>6</sup> In 1998, the Ethos Institute was created to lobby for corporate social responsibility (CSR) and corporate sustainability. The success of the Institute has been tremendous. It has more than 700 associated companies, some of which have created foundation-type organizations. In 1999, the Institute for the Development of Social Investment (IDIS) was created. It was the first non-profit supporting organization whose purpose was to develop knowledge and expertise to address the needs of corporations, wealthy families, individuals and communities that decide to organize their giving to become social investors and social entrepreneurs. IDIS became instrumental in bringing new ways of making private social investment more strategic and relevant to Brazilian society.

In some sense corporations became more interested in being part of their communities and in supporting public and private initiatives for the improvement of people's lives. According to the Institute for Economic Applied Research (IPEA) 2001 national survey, the social investments (cash gifts only) of companies in the formal sector in the urbanized, industrialized southeast totaled \$1.5 billion dollars. This region is home to half of Brazil's companies and accounts for 60 per cent of its GNP. Two out of every three companies reported having made social investments, which ranged from small donations to individuals and institutions to large, structured projects. Almost half the large companies planned to increase social investment expenditure and more than one-third reported employee volunteerism.

In addition, there has been a growing awareness among the Brazilian public of corporate citizenship. Consumers and investors are paying more attention to companies' business practices and their impact on stakeholders, communities and society at large. An international survey in 2002 [2] found that 51 per cent of those interviewed had 'punished' companies for 'socially irresponsible behavior' relating to customer services and relations, environmental policy, etc., by criticizing them to colleagues, friends or relatives; and 30 per cent refused to purchase products or services from these 'socially irresponsible' companies. Brazilians gave the highest ratings to companies committed to good environmental performance in their operations (81 per cent), those playing a role in reducing the gap between rich and poor (60 per cent) and those supporting community projects and charities (59 per cent).

The emerging picture is of a rapidly evolving new philanthropic culture in Brazil among individuals, communities, and corporations. This culture comprehends both pragmatic and ethical concerns about social inequalities; sees the potential of fostering private initiative and drawing on stocks of social, human, and financial capital to improve conditions in society; and sets new trends in multi-sectoral partnerships.

From the above characteristics two main elements emerge: Volunteerism and Entrepreneurship. As a basic element of a capitalist society, the "free initiative" of individuals in pursuing their creativity, searching for opportunities to initiate a "business", and looking for results that could be measured has generated a critical mass of "social entrepreneurs."

Today, we can affirm that civil society organizations are playing a leading role in transforming Brazilian society. As a result, the government is showing greater openness to cooperation with citizen groups that are part of the third sector. Two main reasons explain such behavior: first, the government's recognition that it cannot cope alone with a growing public demand for more and better human services; and second, government recognition that the provision of public services by government agencies can be facilitated by more accurate and representative information about the needs and priorities as they are set by local community organizations. For instance, the Pastoral da Criança, a leading institution in promoting healthy childhood, and in preventing common diseases, is operating a network of approximately 150,000 volunteers that act as health promoters at the community level. The quality of the work and impact in lowering the infant mortality rate made this organization a natural candidate for the Nobel Prize every year since 2000. This organization is essentially maintained by private donations and by contracts with the government who recognizes the organization as better suited for this work than their own agencies and offices.

Also, the re-democratization of the country mobilized the society to move from a representative democracy to a more participatory democracy, where organized groups of the society want to play a more active role in setting the stage for societal changes. Freedom to get organized became the essence of Brazilian democracy. Today, Brazil counts with a true "infrastructure" for representation of important segments that mobilize the Third Sector. Among others: the Brazilian Association of NGOs—ABONG; GIFE—the Brazilian Association of Grant makers; Volunteers Centers; ETHOS—Business for Social Responsibility; CEATS—Center for Studies of Third Sector; IDIS-Institute for Development of Social Investment. Such organizations are placed to catalyze, give expression, and lobby for the sector. They also provide leadership for a harmonic growth of the sector based on the following five ethical "pillars": human rights and responsibilities; democracy and the elements of civil society; the protection

of minorities; commitment to peaceful conflict resolution and fair negotiation; and inter-generational equity.

The big picture that results is a quickly evolving new philanthropic culture in Brazil that comprehends both pragmatic and ethical concerns about social inequalities; new views on distributive justice fostering private initiative to improve societal conditions; new trends in multi-sectoral partnerships; and exchanging stocks of social, human, and financial capital.

Three cases were selected to illustrate the current stage of Brazilian philanthropy as a result of important innovations on strategies for giving. The Abrinq Foundation is a good example of a circle of philanthropists organized around children rights. The second case is a good example of corporate giving through a strategic decision that aligns a cause (environment) with a corporate mission for sustainable business based on the Triple Bottom Line. The third case introduces the dissemination of CPOs (Community Philanthropy Organizations) in Brazilian communities through a strategic program of IDIS—Institute for Development of Social Investment. The following three cases presents ways in which citizens played an active role in setting a new path for philanthropy in Brazil. They illustrate the strong movement that is reshaping Brazilian society.

### **ABRINQ Foundation: From a circle of philanthropist to broad basis support**

In the late 1980s, there were countless episodes of violence against children and youth; young delinquents' escaping from institutions; and extreme rights violations such as prostitution and murder. These episodes drew attention to the dramatic situation of children in Brazil. The press, in Brazil and abroad, gave wide coverage to these charges. The public was shocked. The emerging information highlighted the following:

- > 25,000,000 children had no leisure, education, regular food, housing and adequate hygiene, and were subject to all kinds of violence<sup>7</sup>;
- > 350,000 children under five dies every year<sup>8</sup>;
- > 3,500,000 children and youth between 7 and 17 were illiterate<sup>9</sup>;
- > 4,000,000 Brazilians under 14 (minimum age allowed by the Constitution) were working.<sup>10</sup>

In particular, this information touched business people in the toy industry, since it concerned individuals in the same age bracket as the consumers of their products. These children, however, were excluded from the consumption of the most basic survival goods. These business people worked as a catalyst for others. The magnitude of the problem reached many sectors who organized around a central goal: to change the situation of Brazilian children.

Within this context, in 1989, the **Brazilian Association of Toy Manufacturers (Abrinq)** established within its own structure, the **Board for the Defense of Children's Rights**, the heart of the future *Abrinq Foundation for Children's Rights (FADC)*. These individuals strongly believed that responsibility does not lie on government alone, but on the *society as a whole*. For them, the key to its consistent work on behalf of at risk children and youth in Brazil are not individual or isolated actions, though meritorious, but society's collective effort, allocating means and resources to the service of a *common cause: Brazilian children*. The decision was made then, to organize as a group of philanthropists with a common



cause. They decided to create the Abrinq Foundation as a result of their individual social responsibility. Soon, the circle that started with the toy making industry owners and executives attracted other individuals and corporations. The circle decided to apply their own resources as well as resources from the companies they represented. In line with these beliefs, they were successful in involving partners from several different social segments (mainly businesspeople). This marked the first actions undertaken by the Foundation.

The partnerships with the *Ministry of Education and Culture* and with *UNICEF* have been particularly important. The objective was to create a *joint campaign* to stimulate the awareness of students from public schools throughout the country that, as children, they *have rights*, while also educating them on their rights. This campaign was relevant because the majority of these children came from poor families, whose rights are the most vulnerable. The Children's Rights Contest was conceived to encompass all schools in the country, totaling 27,000,000 students.

Another action of massive advertising for Children's Rights was implemented jointly with *Editora Abril*, the Brazilian market leader of children and youth publications. The corporation published the Children's Rights in 10 million copies of their magazines and created a contest on this subject.

These joint actions demonstrate that from the beginning, the Foundation focused its actions on *mobilizing and generating participation* of society rather than aiding children directly (in nursery schools and other institutions, for instance). As a consequence, the Foundation departed from the traditional way of giving through charities, becoming an example of strategic giving for a cause.

This way, since its establishment, the Abrinq Foundation for Children's Rights positioned itself as a "*coordenating*" entity, able to provide a *positive intermediation* between those who need the resources, means, and knowledge and those who have them.

This "*coordenating*" model was originally suggested by *UNICEF*, which realized that the creators of the Foundation had the ability to involve other businesspeople and social sectors in actions that benefit children.

The Foundation began its activities in Sao Paulo and became active throughout Brazil. Throughout its first decade of existence it took a non-partisan approach in the 16 main projects and programs it spearheads, which involved about 35% of municipalities in Brazil and 43% of the country's population. For example, *Prefeito Criança* (Child Friendly Mayor) supports mayors' efforts to prioritize child welfare at municipal level, independent of the political affiliation of a mayor. This one initiative involves 23 million children. *Crer para Ver* (Believe to See) supports evaluation efforts that improve the quality of public schools.

Building on its strong links with the private sector, Abrinq has developed support and collaboration that go beyond the financial contributions companies make to its programs. It was able to do this because its founders knew how and wanted to reach out to companies. Another key element in Abrinq's efforts is that it put in place a staff of professional fundraisers who help it reach out to and follow up on its contacts. Abrinq's outreach to business has a number of levels:

- > *Membership*—Businesses, professionals and individuals can become sustaining Members.
- > *Partnerships*—Abrinq enters into limited partnerships with companies. In these partnerships, it gains from reaching a broader audience with its message and increased involvement and contributions. Companies gain from the publicity and



association with the Abrinq name, program and logo. Abrinq's aggressive communications and marketing efforts bring about considerable opportunities for discussion at conferences, launches, and other events.

- > *Program-related Collaboration*—Abrinq works with companies in ways that help to mobilize the corporate sector behind children's issues in Brazil. Fundraising for Abrinq is not the object of this work. Instead the efforts pay-off more broadly by mobilizing financial and material support for children and promoting better business practice in this area. One of the most successful programs was Empresa Amiga da Criança (Child-Friendly Companies) that encouraged businesses to combat child labor. Projects undertaken under its umbrella involved 2.5 million youth. This program will be used to illustrate the Abrinq Foundation's way of operation.

The goals of this program are to increase awareness of child labor, especially among entrepreneurs, and to motivate companies to avoid employing children, as well as to encourage the development of programs that contribute to better future possibilities for children. Abrinq offers child-friendly labels to companies that do not employ child labor and that also contribute to child development. In April 1995 it began a program specifically aimed at companies and child labor, called the Child-Friendly Enterprise Program (Empresa Amiga da Criança). This program has its own eighteen-member administrative board and an advisory board, plus a statutory audit committee. Abrinq's activities have received support from the ILO (International Labor Organization) for maintenance of its data bank. This special Abrinq program has two related aims: to mobilize entrepreneurial commitment to avoid using child labor, and also to increase the level of company support for helping children to attend school or for adolescents, vocational or professional training. The program also promotes the inclusion of a social clause in commercial contracts, so that a company makes a commitment to combating child labor in all its relations with other companies. It offers an incentive (a label, which acts as a seal of approval) and a condition (the commitment to exclude child labor). Abrinq is convinced that only by organizing consumers to recognize and reward companies will such employers be prevented from employing children or benefiting from the products and services of other supplier companies that employ children. Companies have also been encouraged to join a network for the exchange of experiences regarding child labor, and they receive help to implement policies and social programs so that children under the age of 14 stay in or return to school. Companies that meet the Abrinq Foundation standards can use the Child-Friendly seal on their products, on company letterheads, or in the printed and televised media, as they wish. The label is valid for one year, at the end of which it can be renewed after new investigations.

At the end of the program's first year, 150 companies had been authorized to use the label. They operate in many fields: agro-industry, manufacturing, commerce and services, finance, and airports; some are state-owned or partly state-owned. The activities these companies performed for children as a condition for receiving the label are (1) the company itself rather than the labeling initiative chooses the preferred area of activity, and acts upon this choice; and (2) no levy monies pass through the labeling organization, as the company directly funds its chosen activity. In practice this is equivalent to a kind of levy, with the difference being company autonomy in the management of the money; yet without some verifiable expenditure that can be shown to the program, a company would not receive the label. The range of projects acceptable to the labeling initiative is also

somewhat broader than most. It includes, in addition to funding schooling and/or professional or vocational training, technical and financial cooperation with organizations that defend children's rights in one way or another, and sports and recreational activities for young people. A company receiving the label can even fund its own foundation to carry out projects for young people.

One of the aims of the Child-Friendly Enterprise program, and of Abrinq as a whole, is to strengthen the normative and inspection capability of state and other organizations. Abrinq urges many government ministries and departments to increase their monitoring and inspection activities for child labor. However, in the case of the labeling program, the program itself achieves monitoring through the normative activities surrounding the approval to use the label. These activities are repetitive: a company will be reinserted each year in order to renew the label.

One effect of the labeling program has been to encourage others to spring up. A new institute, Instituto Pró-Criança, which is a short form of Instituto Empresarial de Apoio a Formação da Criança e do Adolescente, was formed by the local Shoe Industry Association entrepreneurs in the area of Franca, state of São Paulo, where most footwear is produced for export by outsourcing and where children under the age of 14 often work in their homes at stitching benches. This institute very recently introduced a label for the shoe industry based on the model used by the Child-Friendly Enterprise Program. It has now been conferred on 49 local enterprises that "have assumed the commitment of not employing children under 14, and of not subcontracting work to companies that use child labor in their production." The institute retains the legal rights to the label and manufacturers are permitted to attach it directly to shoes as well as to display it in their commercial transactions. The label reads, "This product has not used child labor in its manufacture" below the institute's name and logo. Each employer using the label pays a monthly fee to the institute, so that in this new initiative there is not an actual levy but a regular payment to a central organizer.

During the first decade the organization was quite effective in placing itself as the leading organization addressing children rights. Based on an aggressive communication policy, the programs became very visible and recognized by the Brazilian society. It was a moment of rapid growth and development. Programs were designed, planned, and placed in operation based on the existence of available resources that flew from different supporters.

After years of continued growth the Foundation faces now an important challenge: how to become a sustainable organization. The Foundation does not have an endowment. The operation is based on its capacity of raising funds for different programs and projects. The performance of the Brazilian economy, allied to an increased competition for limited resources from new civil society organizations have resulted in a difficult context for the Foundation sustainability. The good reputation that was gained has not been enough to have an influx of resources to keep all programs, projects, and an active participation in all aspects of children rights.

In short, ABRINQ Foundation has been innovative in establishing a circle of philanthropists to begin its operation; in introducing the idea of a cause-related foundation with a focus on children rights; and in using as its main operational strategy, the mobilization of society at different levels, and through different programs. It still requires, however, another level of understanding and mobilization to become a sustainable organization.

## **Boticario Foundation for the Nature Conservancy: Strategic in Corporate Giving**

The company *O Boticário* began in 1977 as a small cosmetics pharmacy in the progressive Brazilian town of Curitiba. Today the company has more than 2,500 retail stores in six countries and remains dedicated to its original values of mutual respect, transparency, and commitment to the environment. It is placed as the third cosmetic industry in terms of market share. *O Boticário* favors the use of natural ingredients in its perfumes, lotions, and cosmetics, bolstering the company's image as an environmentally responsible corporation. As a business, *O Boticário* is one of the first strong supporters of the philosophy of triple bottom line (TBL) in Brazil. It focuses not only on the economic value they add to their products and performance, but also on the environmental and social value they add to the overall society. At its narrowest, the term 'triple bottom line' is also used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. This involves being clear about the company's purpose and taking into consideration the needs of all the company's stakeholders – shareholders, customers, employees, business partners, governments, local communities, and the public.

Thus, *O Boticário* has a clear environmental focus with clear policies on the company's use of natural resources, embedding environmental principles in its product or service development. The *company's* commitment is also directed to the capture of economic benefits within the community where the company is operating, as well as contributing to the economy. For example, the company supports community development and capacity to generate wealth by giving preference to local businesses, both backwards, through the supply chain, and forward, through the distribution and retail network.

In conclusion, as a business with social and environmental responsibilities, the company decided to create the Fundação Boticário in 1990, as a non-profit institution to support nature conservation activities in Brazil.

In 1993, in order to guarantee the preservation of places with considerable ecological significance, Fundação Boticário created a program called Natural Protected Areas. The first action of this program was to acquire and establish the Salto Morato Reserve. It initially had 4,240 acres hectares and today has grown to 5,783 acres of the Atlantic Forest, in Guaraqueçaba region, northern coast of Paraná State. This area was chosen because it shelters one of the most significant remnants of the Brazilian Atlantic Forest still left.

For the acquisition of Salto Morato Reserve, the Fundação entered in partnership with The Nature Conservancy – TNC, a North American non-government environmental organization. The resources invested by the Foundation guarantee the forest, rivers, and animals preservation and also the recovery of the areas modified prior to its acquisition. The place is used for environmental education, understanding of nature, scientific researches, as well as outdoor recreation.

While the Foundation's main focus at the Salto Morato Natural Reserve was preserving the environment, the Foundation's technicians soon realized that without the awareness and cooperation of the surrounding neighbors in Vila Morato, the task would be impossible. Many of the inhabitants of the area lived in extreme poverty and made their meager livelihood from illegally harvesting palm hearts from the nature reserve at night. Concerned with balancing the economic needs of the community and the dwindling palm

reserves, the Foundation contracted a natural fibers instructor to research alternate income generating opportunities near the reserve. Surveying the area, the expert quickly discovered an exotic pestilent weed that is easily made into rope and can then be woven into baskets. The Foundation presented the idea to the community, which began producing good quality baskets, and eventually formed an artisan's cooperative to standardize quality and facilitate timely fulfillment of higher volume sales.

Although *O Boticário* maintains the Foundation financially by donating up to 1% of the corporation's net revenue, with additional funding for the foundation coming from other private Brazilian and international donors, it operates independently, with complete technical responsibility for its own projects. Typical recipients of grants are universities and other academic institutions, research institutes, scientific organizations, and environmental groups as well as other NGOs. A team of outside consultants, all of who are experts in diverse scientific areas and ecosystem management, reviews grant proposals.

The Foundation is the first corporate foundation of its kind in Brazil to support environmental conservation. It has created a new source of conservation funds and a corporation whose products and basic business operations and revenues are dependent on the protection of natural resources and the genetic base of biological diversity (in this sense, *O Boticário* is investing in its own long-term commercial survival).

The Government of Brazil created an incentive, albeit small, to get the private sector to invest in conservation. *O Boticário* has proved that the private sector can collaborate with environmental groups and draw on the expertise of scientists to assist in identifying the most critical and important areas in which to intervene.

The potential for replication is good. In any (developing) country, a timber company's profits and operations are dependent on the extraction of natural resources and the continued existence of those resources. Governments can work with these operators both to support ongoing private sector conservation and to encourage additional activities. Incentives provided could range from tax breaks to set up wildlife reserves or buffer zones adjacent to logging operations to creating tax breaks or export subsidies to timber operators that log according to sustainable practices.

Today, the Foundation focuses on three programs: protection of natural areas; promotion of education and mobilization for nature conservation; and financial support of conservation related projects developed by other organizations. As a basis for all of its programs, the Foundation has a bio-diversity, conservation, and training-center at the Salto Morato Natural Reserve. The center prepares 240 people each year for careers in park management, conservation, and ecotourism. The reserve itself won UNESCO's recognition in 1999 as a World Heritage Site.

The encouraging results of the Foundation in terms of community development and environmental conservation inspired the Eco-development Fund, created in 1998, as a US \$1,000,000 fund financed equally by the Foundation and Interamerican Foundation (IAF). The Foundation manages the fund and selects projects in consultation with IAF. The fund provides small grants for projects that advance socioeconomic community development while preserving the environment and promoting reduced pressure on natural resources. By combining resources, both organizations hope to minimize program costs and maximize results. Future plans include a benchmarking book featuring case studies of the Eco-development Fund projects. After the fund's current five-year life expires, the Foundation will roll the project into the Foundation's permanent program portfolio.

Among others, the Foundation established partnership with the following international organizations: The Nature Conservancy, John D. and Catherine T. MacArthur Foundation, Interamerican Foundation, Avina Foundation, Environmental Law Institute, and Duke University. In selecting those partnerships it takes into account the aggregate value that partners can bring to their programs and projects.

In short, the Foundation innovated in bringing together business corporate responsibility, government, local NGOs, and international agencies on environmental and social issues, allied with economic development. It demonstrated that entities created by business to pursue socially responsible work (i.e. foundations) could maintain programmatic independence while still furthering the company's strategic objectives, not only in corporate image, but also in business operations. Also, the case shows that collaboration and sharing of techniques can engender positive changes beyond the intended scope of a partnership. It can be done with international foundations, with national organizations, but more important, with the people of own communities where the granted projects take place.

### **IDIS: Supporting Community Philanthropy and Private Social Investment**

While corporate philanthropy has made great strides in recent years, individual philanthropy to meet community needs is still Brazil's biggest source of giving. Individual philanthropy for community needs and problems is one of the best-kept secrets of Brazilian society. It represents more than 65% of the Brazilian philanthropy. Based on that, IDIS started to research and learn about local philanthropy and its problems. Among the findings, IDIS learned that community philanthropy takes a very paternalistic way to provide goods and services based on charity, without any major commitment for changing the *status quo* of people in need; it is a philanthropy without strategic vision, based on sporadic and casuistic decisions by givers; it is a philanthropy based on the emotion of givers and not on their reasoning, taking a very amateur approach to giving with an absence of professional understanding and governance.

In order to transform the above-described situation, IDIS established a program to foster the institutional development of community philanthropy in Brazil through local community philanthropy organizations (CPOs). IDIS stands for Instituto for Development of Social Investment, a non-profit supporting organization for the development of Brazilian philanthropy.

A basic principle oriented the program: the understanding that local philanthropy should operate under an organized Local System on Social Investment (SILIS acronym in Portuguese). As part of the system it is possible to identify community-based organizations, volunteer organizations, donors, human services linked with churches, local companies and businesses, and public and non-profit agencies. Once the elements are identified, the main task is to organize the system in a way as to maximize efficiency and effectiveness given available resources. Such a purpose requires the existence of a local organization that enables the full development of local philanthropy. This organization is called a Community Philanthropy Organization (CPO). It enables local communities to become better prepared to address key social problems through a participatory process. As a result, the empowerment of the community increases the capacity and effectiveness of existing organizations, and facilitates the creation of new ones.

The program's priorities are:

- > technical assistance and training to support skill development; the dissemination of new ideas by sponsoring conferences; seminars and workshops; conducting training and educational activities; and organizing a resource group of community philanthropy expertise;
- > sharing information by publishing relevant basic materials in manuals and handbooks in Portuguese;
- > researching factors that help or hinder the growth of community philanthropy, illustrating best practices, identifying emerging donors, and establishing benchmarks and indicators for building local philanthropy and social investment;
- > promoting networking opportunities, nationally and internationally, linking support organizations, strengthening peer exchange opportunities, and creating opportunities for discussion groups through IDIS's community philanthropy web page.

The Program provided assistance to each participant community to develop and implement its own strategic plan to foster their philanthropic activities over time. IDIS support to them had two integrated phases: Preparatory Phase and Implementation Phase.

The Preparatory Phase, that took a year, made possible:

- > The identification and selection of community leaders to participate in leadership training. The leadership training was designed and carried out to enable leaders to identify community assets, better recognize the opportunities for development in their own communities, and also to become acquainted with existing knowledge and best practices in community philanthropy. As a result, they became well prepared to develop proposals for establishing and or strengthening a local CPO.
- > The design and development of a community plan to organize local philanthropy and private social investment.

The Implementation Phase differed in the time it took, depending on the condition of each community. The average time for the implementation of the plan took around two years. During this phase the following activities were carried out:

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

The program is now operating in six cities in the state of São Paulo, the richest state in the country. Their local giving varies from US \$60 thousand to US \$6 millions a year. Each community has established a CPO that is led by community leaders from the business sector, civil society, and local government. Private, voluntary, and public resources are thus being used in a complementary way.

Since its inception 11 more communities became part of the program. Corporations that decided to apply their resources to get philanthropy organized in the communities where they are located brought in the new communities. Also, five other communities decided



to organize their own philanthropy and private social investment in mimetizing the IDIS program.

The success of the program also attracted the interest of international organizations, including Community Foundations of Canada (CFC), who is making an important contribution in technical support to the IDIS program.

In short, the IDIS program on community philanthropy introduced the following innovations:

- > The idea of CPOs, an emerging structure to organize a local system on philanthropy;
- > The understanding that a CPO is much more feasible as an organization than a Community Foundation for the Brazilian reality. Endowment building faces difficulties because of Brazilian legal framework, and also, culturally bound understanding that individual donors want to keep the endowment under their own control;
- > The use of the Asset-Based Community Development (ABCD), first introduced by John McKnight, as a tool to identify elements of the local system on philanthropy;
- > The importance of partnership with leading organizations in community foundations such as Community Foundation of Canada (CFC) to learn from their experience.

## Conclusion

Government has failed to meet the targets set for it by the 1988 Constitution, and generally it has lagged behind civil society in devising innovative ways of tackling social problems. In recent years, however, it has begun to show greater willingness to cooperate with citizens' groups. There are two main reasons for this: its recognition that it cannot cope alone with the growing public demand for more and improved services; and its realization that local community organizations can provide more accurate and representative information about needs, which makes provision of public services by government agencies easier and more effective.

The 1990s has seen great development of Brazil's philanthropic/voluntary sector. CSOs have growing experience of, and expertise in, addressing social problems. Group and individual giving is being reorganized among more strategic lines, with good examples of individual and family philanthropy and philanthropy circles being created and nurtured. Government has begun to respond to this, and the steps described above apparently mark the start of a new phase in the relationship between government, business and civil society.

Skepticism and mistrust die hard, however, and questions remain unanswered. Should civil society leaders accept positions in the government when co-opted? Or should they accept them because the Brazilian society wants to move from a representative democracy towards a participatory one based on CSOs and social movements?

Nor is this skepticism exclusively directed toward government. In the 2001 (IBOPE) poll mentioned earlier, respondents pointed to the need for civil society to be accountable, too. Twenty-three per cent of respondents felt that NGOs should report on their sources of funding; 18 per cent felt that they should be overseen by the state, while 12 per cent felt they should be overseen by society.

These cautionary notes notwithstanding, new forms of collaboration between all three sectors present an opportunity to combine private and public resources, individual

talents, and creativity for the overall benefit of the nation, and to adopt or adapt successful pilot projects led by civil society organizations as public policy.

Philanthropy gained during the 90s a greater importance for the full development of Brazilian society. And, not only because of new available financial resources, but also essentially because its sense of creativity and innovation. The years to come will show whether or not this opportunity is taken.

## Endnotes

- <sup>1</sup> President, Instituto para o Desenvolvimento do Investimento Social – IDIS, São Paulo, Brasil. More information [mkisil@idis.org.br](mailto:mkisil@idis.org.br)
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## CENTRAL AND EASTERN EUROPE

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Miroslav Pospíšil

### Regional Overview

This chapter will explore recent developments of philanthropy in the Central and Eastern Europe (CEE) region. Specifically, it will focus on the countries of former Czechoslovakia, the Czech Republic and the Slovak Republic to provide deeper insights into these developments. While there are considerable differences in both the pre-WWII traditions and the post-1989 developments between various countries and sub-regions of CEE, this overview of the situation as well as the two case studies to be discussed, provides a good picture of the general trend of philanthropy in this region.

The new development of philanthropy since the fall of communism in 1989 has been characterised by all the general challenges and difficulties of the post-communist transformation as well as specific challenges particular to civil society and its organisations. The most important of the latter are:

- i. A complete loss of the rich pre-WWII tradition of philanthropy and voluntary action. Not only were independent civil society organisations annihilated and philanthropic wealth confiscated by the Nazi and Communist regimes, but over the gap of three generations we lost all contact with, and even all memory of, the ethos and the practice of philanthropy.
- ii. Lack of trust and social bonds in society. Fear, as the governing principle of totalitarian regimes, had become second nature. People mistrusted the state, business, philanthropic action, media, and each other.
- iii. Loss of self-reliance and entrepreneurship. The habit of reliance on the state had also become second nature. Although people mistrust, or even loathe the state, they will turn to it for solutions to social problems rather than discover solutions on their own.
- iv. Lack of philanthropic wealth. Pre-WWII wealth had been lost, the country and people emerged poor from the totalitarian years, and new businesses were undercapitalized. The ones with capital and resources understandably, used it for their own development and stabilisation and remained deaf to philanthropic appeals.

Although the negative legacies of the totalitarian years were serious and the task of transformation colossal, they were counterbalanced with the new energy released by the liberation from communism and the strong feelings of a new beginning, and new opportunities. The enthusiasm with which people addressed problems that had plagued their lives under communism as well as emerging manifested itself in the explosive growth of civic initiatives and organisations after 1989. At the end of the communist years, there were only 537 “mass organisations”<sup>1</sup> in existence; by the end of 1990 there were 21,000 independent nonprofit organizations; today there are 79,000 (56,000 in Czechia and 23,000 in Slovakia)<sup>2</sup>.

Particularly in the first months and years after the democratic revolutions of 1989, nonprofit organisations mushroomed. New leaders were quickly transforming existing recreation, sports and hobby organisations, which had, under the Communist regime, led a difficult existence of both attempting to serve the interests of their members as well as mobilise them for the “building of socialism.” Some traditional organizations were returning from exile where a small number of dedicated members had kept them at least nominally alive. But most of the organisations were new creations that responded to the societal ills inherited from the communist years as well to new issues and new challenges.

Like elsewhere in society, the first impulse was to repair the damage caused by communism. Most of the new organisations were established by individuals and groups who had, during the communist years, been concerned with a problem but unable to do anything about it. Most of them were specialists in a particular field and therefore had good ideas for appropriate solutions to their respective problems. For example, educators and teachers wanted to establish new schools, introduce new teaching methodologies and establish new teacher-student relations, radically different from communist indoctrinations; doctors and psychiatrists wanted to change the treatment, the education and the social position of people with physical and mental disabilities; environmentalists and scientists were coming together to address important environmental issues; and so on and so forth. Most organisations had a very specific task or a concrete problem in mind. They were populated with specialists who understood the issue and thought they knew the right solution, but more often than not were not very well equipped to put it in practice.

It is interesting to note that a great deal of these new organisations were, or at least called themselves, foundations. This seems strange in a situation of general poverty, where no private or corporate wealth existed. We have not had much research into this phenomenon. It is likely that the loss of, and memory of, the pre-WWII tradition of philanthropy had led to a misinterpretation of the meaning of the Czech/Slovak words *nadace/nadácia* (foundation). Or maybe the founders of these foundations anticipated a source of funding that later failed to materialise. Whatever the reasons, or combination of reasons, almost all of these “foundations” differed little from other nonprofit organisations of the early 1990s: they were action-oriented, wanted to change things, they were also established without any assets, and had to rely on fund raising.

Later in the 1990s, as the nonprofit sector grew and matured, this situation was felt to be less and less satisfactory by some nonprofit leaders. By that time, the state had also felt, after ignoring civil society and its organisations for a number of years, that basic legislation for nonprofit organisations was needed. Amidst controversy, several similar new laws were passed by Parliaments of both countries that codified four types of nonprofit institution (Czech examples used for illustration):

- i. (Civic) Association: a membership-based organisation, for mutual or public benefit.
- ii. Public Benefit Company: a service provider, providing public benefit services.
- iii. (Charitable) Fund: a non-endowed asset-based organisation, for public benefit.
- iv. Foundation: an endowed asset-based organisation, for public benefit.

These new laws changed the map of the nonprofit sector dramatically; but they were unable to change the situation on the ground. The development in the Czech Republic illustrates this quite well: the new Czech legislation defined funds and foundations as “assets established for . . . the achievement of publicly beneficial goals.”<sup>3</sup> As a result, the number of foundations dropped from several thousand (operational “foundations” created in the early 1990s) to a few hundred (asset-based foundations and funds registered under Act 227/1997)<sup>4</sup>. But the “assets” of these newly (re-)registered organisations were questionable. Most of the pre-1997 foundations that re-registered as foundation-like organisations became funds (about 500) because no endowment was required for the establishment of a fund, and they continued their work as operational foundations or as funding organizations for the institutions that established them (schools, hospitals, museums, etc.) The two hundred or so that decided to re-register as endowed foundations had to put aside a minimum of 500,000 Czech Crowns (roughly US \$20,500) in an endowment. Most only did so in order to please the authorities and continued as before. Moreover, most of these two hundred “endowment foundations” barely managed to scrape together the required sum, and only a handful, between 20 and 30, had endowments that exceeded the legally required minimum and were thus able to do some grant making of their own. The situation in Slovakia was similar, but somewhat worse, because the required minimum endowment was even lower, only 200,000 Slovak Crowns<sup>5</sup> (roughly US \$6,200). The result was that while both countries’ legislations defined foundations and funds as assets; and both countries had several hundred entities registered as foundations and funds under this definition; in reality there were only three or four dozen foundations that could be considered true foundations.

Since these radical legislative changes, four important developments have taken place that have begun to change the picture of philanthropy in the Czech and Slovak contexts:

- 1) A gradual, even if very slow and often reluctant, change in the perception of what a foundation should be has taken place. It has slowly become accepted that assets are the defining feature of a foundation. The new legislation has made foundations re-think their roles, missions, strategies and tools. It has increased the number of foundations that have tried to build an endowment of their own. It has resulted in a changed structure of newly registered foundations: very few new, purely operational organizations choose to register as foundations now; and there has been a slight increase in the past two years in the numbers of corporate foundations, i.e. foundations that have a secured source of income from their “parent” company, even if they are not endowed<sup>6</sup>.
- 2) Improvements in foundation legislation in the form of amendments (Czechia) and a new law on foundations (Slovakia) have been passed by the national parliaments<sup>7</sup>. They have created a more favourable legal and fiscal environment for the management of foundation assets -a clear recognition of the fact that if the legislation requires foundations to be assets, foundations must be able to manage their assets effectively.
- 3) The third development has in the end only taken place in Czechia and has remained unique in CEE, although a serious attempt was made to replicate it in Slovakia. It consisted in financial contributions by the state into the endowments of Czech foundations. Based on an earlier decision by the Czech Parliament<sup>8</sup>, and

with the new regulation of foundations as codified in the new Act 227/1997 on Foundations and Funds in place, the Czech Government distributed the proceeds from the sale of the shares held by the Foundation Investment Fund into the endowments of selected Czech foundations between 1998 and 2001<sup>9</sup>. The result of this process has been a very considerable increase in the endowments of Czech foundations, which further helped the transformation of Czech foundations into asset-based grant-making organisations.

- 4) The fourth development is the “1% law,” which enables tax payers to send 1% of their income tax directly to a nonprofit organisation of their choice. Based on the path-breaking legislation introduced in Hungary in 1996<sup>10</sup>, the law was passed in Slovakia in 2001<sup>11</sup>. In the Czech Republic the attempt to introduce a similar law in 2002 failed (however, a new bill is being drafted at the moment). The “1% law” does not only affect foundation-like organisations (FLOs) because it is designed to support the development of the entire nonprofit sector; if successful, the law may gradually help change the relations of the public to nonprofit organisations and to philanthropy in general.

All of the four above-mentioned developments are still very fresh and raw, they are little more than emerging tendencies and perhaps promises for the future. Some first changes in perception and philanthropic behaviour are noticeable, but the general situation of philanthropy is still largely defined by the legacies of communism and by the developments of the 1990s, as introduced in the early paragraphs of this chapter.

Even with the sizeable injection of endowment money from the state in the Czech Republic, most foundations and funds have no revenue-generating assets and are thus fully dependent on fund raising. About 50–60 FLOs have endowments that contribute small to reasonable amounts to their grant-making and operating budgets and some little money to their administrative budgets. There are perhaps 10–15 foundations that have endowments large enough to make them independent from fund raising and another dozen or so corporate foundations with a secured annual income from their founder companies. In Slovakia, where foundations received little support for their endowments, only some 10–20 foundations are grant-making foundations and 3–5 have sufficient endowments to sustain their operation. In both countries, foreign foundations were a very important source of funding in the 1990s. Most have now closed down their operations, but there are two or three remaining in both countries that distribute money from foreign donors.

It is important to note, however, that it is not only in the sub-sector of foundations and funds that we come across foundation-like organisations. Some of the linguistic and legal confusion about the meaning of the word “nadace/nadácia” still survives: just as only a fraction of the organisations that are registered as foundations and funds can be considered foundation-like institutions; conversely, there are a small number of FLOs which are not foundations or funds by law, but take the legal form of a public benefit company or even a civic association.

In general, the situation today is such that almost all of the 80,000 Czech and Slovak NPOs are operating organisations that run programmes for members or for public benefit, while only a few hundred are foundation-like organisations in the sense that they also do some grant making. In addition, all Czech and Slovak NPOs, with the exception of perhaps two dozen foundations, engage in fund raising because, as mentioned above, even if some of the FLOs have some capital of their own, it is too small to sustain their operating and grant-making programmes.

Most NPOs remain focused on the concrete, the local and the short-term. But since the mid-1990s a growing number of successful NPOs have gradually been taking on wider

social issues and attempting to achieve systemic impact. This development of strategic thinking and strategic action has been inspired by the growing self-confidence of the non-profit sector and by the shift in the perception of civil society and its role by the body politic and the general public. It has been prompted by the example of foreign foundations that were active in the region in the 1990s and nourished by their financial support. It has also been accelerated by the new nonprofit legislation introduced in the late 1990s.

Generally, strategic thinking developed along three main routes, (1) fund raising, (2) asset management, and (3) operation.

- 1) In a situation of general, and philanthropic, poverty, successful FLO's had to develop effective strategies of long-term fund raising and endowment building in order to achieve stability and sustainability as the first pre-requisite for any strategic action. They eagerly sought to replicate foreign models, both the well-proven ones as well as the emerging ones, and to develop them to suit their needs and the local situation. Besides classic fund-raising methods, a number of models used in North America and Western Europe to serve donors, (i.e. community foundations, funding partnerships, donor advised funds, donor associations and others) were used in Central Europe primarily to secure financial stability and long-term sustainability. In addition, some indigenous innovations emerged too, notably the Czech process of endowing foundations from privatisation gains, and the Hungarian, Slovak and Polish "1% law."
- 2) Questions of asset and other financial management may seem hardly relevant to philanthropic output and impact, but they contributed to the development towards strategic philanthropy by influencing legislation and by underlining the essential significance of cooperation and partnership for strategic philanthropy, which the FLO's were at the same time learning through the modes of fund raising and operation. For example, Czech foundations first got together in the 1990s to advocate the government in order to secure the distribution of privatization gains into their endowments. But after successfully completing the task, they continued their cooperation and together with the banking sector, proceeded to create new instruments for pooled investment of their capital. Today, they continue working together on other strategic tasks that promote their development and the development of Czech/Slovak philanthropy.
- 3) Since almost all NPO's depend on fund raising, and even some FLO's that are operating rather than grant making entities, most of the strategic thinking and innovation was focused on the development of operating programmes and action-based tactics. Even when some FLO's managed to build an endowment or other sustainable financial base, they would not transform themselves into purely grant making foundations. They would still base their programmes on the expertise and experience from their operation. That is, they would support their operating programmes with grant making, using the synergy of (pro-active) action and (pro-active) grant making to achieve their goals. The result is that simple grant making is hardly ever used by Czech and Slovak FLO's, most combine grant making and operation.

The organisations that stand out as the best examples of Czech and Slovak strategic philanthropy regularly display all of the features so far described. They have successfully learned from foreign models and have creatively transformed them to suit the Czech/Slovak situation. They have based their financial stability and long-term sustainability on the

strategic use of partnership and cooperation with stakeholders. They team up with stakeholders and involve them in all their work, and in all stages of their work, from needs analysis, planning, fund raising, asset management, to funding, project implementation and evaluation. They combine (pro-active) grant making and operation to achieve their goals. The two case studies discussed in this chapter are unique and interesting because they have applied these elements as well as combined them in a pro-active way. The most important mode of operation, however, that seems to emerge in the study of successful strategic Czech and Slovak FLO's and which guides all their strategic thinking and work, is partnership. In a transitional society, where actors who wish to engage in social change are too weak to do so on their own, the creation of partnerships seems like a logical strategic step to take.

## CASE ONE

### **Partnership for Empowerment: *Environmental Partnership Foundation***

#### ***The organisation***

The Environmental Partnership Foundation<sup>12</sup> (EPF) was established in 1991 by a consortium of US foundations represented by the German Marshall Fund of the United States. Together with two sister foundations that were established in Hungary and Poland in the same way, it started work as a member of a Central European consortium of environmental foundations, the Environmental Partnership for Central Europe. Initially, the three organizations were funded by US donors and managed by US executive officers. In the course of the 1990s, they were gradually transformed into four (after the split of Czechoslovakia) national foundations with national governing bodies and national executive officers. Since 1997 the Environmental Partnership has gradually become a Czech foundation, even though the Central European cooperation has continued and has recently been expanded with a new Environmental Partnership in Romania. EPF is one of the largest Czech foundations; it operates nationally and is the largest independent source of financial support for environmental projects in Czech communities and NGOs. Since 1991, the foundation has supported over 1,200 projects with grants totalling approximately CZK 87 million. The foundation has invested another 35 million for the NGO sector's institutional development.

The Environmental Partnership's mission is to assist NGOs, communities, and other partners in care of the environment and to stimulate sustainable development, crosssector co-operation, and public participation in civil society. It achieves its goals by providing grants; organising fellowships, workshops and seminars, through publications and other educational methods; pro-actively linking similar projects in Czechia and abroad; mediating information and contacts in the area of environment and sustainable development; and by implementing programmes of its own.

In 1990 the founding consortium of US foundations sent a sizeable group of young US graduates in environmental studies to Central Europe to conduct research into the environmental situation, analyse the needs, and propose possible ways of responding to those needs. It was the reports they produced over a period of almost a year and the ensuing discussions that led to the creation of the Environmental Partnership model and to decisions about its mission and goals. These goals have since been reviewed on a regular basis; subsequently, more thorough and focused re-assessments of the mission and the

goals were made, once in 1994–1995, when management was taken over by Czech staff; and then in 1998–1999, when governance and decision-making was also handed over to the Czechs.

While the founding principles, the original vision and mission, and the early strategies have proved their worth over time, EPF continues to pay attention to their revision. It uses several mechanisms to collect relevant information for strategic planning:

- 1) It engages in an ongoing dialogue with its constituencies.
- 2) It uses its open grant programme for needs analysis. That is, it analyses grant applications for new ideas and topics, emerging themes and trends, weaknesses, challenges and opportunities.
- 3) The aim of all analyses is to identify not only programmatic ideas and challenges but also institutional issues.
- 4) EPF participates in the work of national and regional networks, such as nonprofit associations and umbrella organisations.
- 5) It uses targeted research projects into specific areas and issues.

### ***The Operational Strategies***

The basic strategies of EPF have not changed much since its inception. The guiding principles were and still are:

- Complex approach, based on grant making, assistance and networking.
- Flexibility: rapid non-bureaucratic response to local needs as expressed by local people.
- Small grants, but at the right time, the right place, and to the right people.

More specifically, the successful strategies are as follows:

- 1) *Partnership building*: The relationship between EPF and other organisations is that of partnership. EPF does not have donors, cooperating organisations or grantees - but partners.
- 2) *Solving problems in situ*: EPF seeks to find partners that would address a need, a challenge or an issue at the place where they originated. Local partners are best suited to address local problems. At all stages of projects EPF keeps in contact with the local level, with partners, local government, businesses and NGOs. They visit the project and the participants and stakeholders in person.
- 3) *Empowering local partners*: Local partners may be best suited to address local issues, but they are not always well equipped. The aim of the partnership is to improve local partner knowledge, skills, and to enhance institutional capacity for the task at hand and for continued work in the future.
- 4) *Empowering local people*: In some places there may be needs and challenges but no local organisation to solve them. In such a case the partners can be individuals: local politicians, business people, societal leaders.
- 5) *Establishing and empowering local partnerships*: Issues are more effectively addressed through concerted effort than by individual action. EPF seeks to establish local cross-sectoral partnerships and then empower them to address specific issues and to continue to develop their partnership in the future.



- 6) *Supporting processes*: In the decisions about what to support, the main strategic consideration is the potential of the project to become a process that will grow, that will involve more and more local stakeholders and supporters, and which will become sustainable.
- 7) *Not grants, but complex support*: A lot of EPF's clients prefer a simple, open grant competition. EPF operates one such open grant programme but uses it above all as a diagnostic tool. Otherwise it does not consider simple grant making to be effective. The most effective programmes are those where the EPF has institutional capacity of its own which enables it to initiate and to establish a partnership and to contribute to its work substantially; where it has the expertise and experience to provide effective assistance; and where, finally, it has the funding to provide the financial support that is needed.
- 8) *Grant making as a needs analysis tool*: EPF uses a non-bureaucratic and easy grant application process as a method of eliciting new ideas and innovative solutions.
- 9) *Strategic selection of leaders* for EPF assistance (e.g. in the form of training, study visits abroad, seminars and workshops in other countries, internships, etc.). Such assistance is provided not only to those who implement a project, to the partners or to members of local partnerships, but also to those *with whom* or *against whom* the project will be implemented. An enlightened NGO leader can achieve more if he/she works with an enlightened official/business manager than if he/she works against a hostile official/business manager.

EPF seeks strong, long-term partners in key programmatic areas (It has about eight large programmatic areas, each of them centred around a basic theme, such as energy, transport, waste management, land stewardship, etc.) Using international networks and their own large network of contacts, EPF finds a strong, experienced partner or two in each area, with whom they develop long-term multifaceted cooperation.

EPF seeks partners that it can learn from and vice versa. These strategic partners are ideally organisations that are more knowledgeable and experienced than EPF. This cooperation involves learning and transfer of know-how, mutual exchange of experience, joint development of new ideas and projects, and joint fund-raising for new innovative solutions.

It seeks partners that would provide training for all staff, experts, and project managers. The strategic partners should have capacity for training, because EPF tries to educate/train not only their own people but also as many managers and staff from their local partners and stakeholders as possible.

It seeks partners for exchange of experts and programmes. When a programme is successful, EPF tries to develop the institutional capacities of the organisations/partners that implemented the programme and also to educate a pool of experts in the given country. These organisations subsequently cooperate with similar partners abroad for further learning and, above all, genuine exchange of ideas and experience. In this way the EPF tries to build a critical mass of experts and strong organisations in the country with a view to contributing to public policy and to launching systemic changes.

It seeks partners in the public policy arena to discuss identified needs and specific policy proposals. EPF has become a strong societal player – a partner to government and business on many environmental issues; a distinguished member of the nonprofit sector; and a strong funding source for NPOs and civil society as well as local government. It therefore strives to become an important policy maker by working in national networks



and associations of the nonprofit sector and in governmental bodies and agencies at the central, regional and local levels.

### *The Financial Strategies*

Like other Czech foundations, a fundamental challenge for the EPF is raising and managing financial resources so that it can fulfil its mission. The main strategies that EPF have employed are:

- 1) *Systematic diversification of funding.* Until 1995, the EPF's only programme was a programme of re-granting, which was fully funded by core US donors. Since 1995, after the EPF diversified its programmes, it has also systematically diversified its funding base, with one important strategic limitation: since Czech corporate donors tend to support specific local projects, the EPF has decided not compete with its clients and potential grantees by targeting local and regional Czech companies and businesses. Instead, for corporate support, they have targeted international companies and large Czech national companies.
- 2) *Co-funding with corporate donors.* As an intermediary, it has been difficult for the EPF to persuade companies to donate directly to EPF's general funds. One strategy that has been successful is the establishment of funding partnerships with corporate donors for specific programmes.
- 3) *Specific "patron" donors for specific programmes.* If funding partnerships are successful, companies are encouraged to take over more responsibility for "their" specific programme and become a long-term "patron" donor of the programme or even a whole programmatic area.
- 4) *Re-granting for corporate donors.* This strategy is to offer the EPF as an intermediary for companies that want to support environmental issues but were not knowledgeable enough to run an effective grant making operation of their own. The EPF would be able to identify potential projects nationally, to carry out the project selection, administer the grant making, and monitor and evaluate the projects for them. This strategy was not very well received, only a handful of companies, and one governmental agency (from Luxembourg), have taken up the offer.
- 5) A scheme whereby businesses that benefit from an EPF-supported programme return part of their profit to the NGO component of the programme. For example, Greenways – Moravian Wine Trails is serviced by a travel agent who brings the tourists. Twelve percent of the income from the travel agent goes back to Greenways Czech Republic, which uses it to develop the infrastructure of the Trails and to develop activities and projects along the route.
- 6) *A wide range of programmes and projects for potential donors to choose from.* Due to its national focus, its size and the variety of its programmes, the EPF has a wide range of programmes to offer to potential donors. EPF has turned this into a strategy, when they approach a potential donor, they offer them a wide and structured choice of themes, programmes and projects, with national, regional and local focus, and donor involvement.
- 7) *Gradual building of endowment.* The EPF first began to build a reserve fund in 1994–1996; then they decided to gradually build an endowment. The sources are

first, finances returned from projects and other unspent monies; interest earned; substantial contributions from a Czech government policy whereby the government donates a portion of its privatisation proceeds to the endowments of selected Czech foundations; finally, and gradually, donations from foundations, companies and individuals – still quite small but increasing. The target is CZK100 million (USD 3.5 million) by 2005, and a more intensive endowment campaign after that with a target of CZK200 million by 2010.

- 8) *Individual donors*. Individual donors are not inclined to give to a foundation or to an intermediary. Therefore, individual donorship is only significant in some specific projects in which individuals can support a concrete cause, action, or object, for instance purchase trees or adopt an animal.
- 9) *Earned income*. EPF has over the years accumulated a great amount of expertise and also educated experts in many fields so that it can now use them to earn money from advisory services, consultancy, education and training, among others. It has therefore established a daughter organisation to provide these services professionally and earn money for the EPF.
- 10) EPF works in national nonprofit bodies and associations as well as with other foundations and NPOs on projects to increase corporate and individual giving in the nation. While the EPF is not a direct beneficiary, if the overall level of giving in Czech society increases, it would also benefit, and so would its clients and grantees. Current examples of such initiatives include a programme of promoting corporate giving or the establishment of a “nonprofit” national lottery.

### **Conclusion**

The most striking strategy that the EPF has developed is that of using the partnership principle to empower partner organisations to gradually move from direct response to specific environmental/community/societal needs to taking over complex responsibility for a larger issue or field. In doing so, the partner organisation itself learns to use the partnership principle and is led to organise a partnership network of its own and to make it sustainable. The involvement of other funders in the partnership means that they also become part of the programme consortium that owns the programme and develop it. The element of learning is another striking feature: EPF does not hesitate to invest in the education of all stakeholders, not only those who support a project, but also those who oppose it and those who make the decisions. With this complex approach, it is little wonder that they regularly succeed in establishing long-term, sustainable schemes, organisations, and enterprises that take firm roots in local communities.

## **CASE TWO**

### **Partnership for Implementation: *Healthy City Karviná***

#### ***The organisation***

Healthy City Karviná<sup>13</sup> (HCK) was established in 1993 and has since evolved into a consortium of three organisations: Healthy City Karviná (a charitable fund), Child and Environment (a charitable fund), and Karviná 2000 (a public benefit company). Healthy

City Karviná administers, implements and funds the Healthy City programme itself in close partnership with the City of Karviná, and is the leading member of the consortium. The other two have taken over and developed a number of long-term programmes that were first created by Healthy City Karviná but which have become so large and complex as to deserve an organisation of their own. Between them, the three organisations run a total of more than twenty programmes, both operating and grant-making, in five programmatic areas. For the purposes of this case study, these three organizations will be considered one foundation-like organization (FLO) because they have a shared executive and administration as well as the same vision and mission, but three different governing bodies.

Karviná is a small industrial city of 65,000 people in the Ostrava region in north-eastern Moravia, one of the most devastated regions in the Czech Republic. A black country of coal and steel, it was ruthlessly exploited under the communist regime for many decades. The whole region suffered from heavy air pollution and serious contamination of soil and water and was infamous for low life expectancy and high incidence of respiratory, cancerous and other diseases. Over the years, the bad living conditions led to grave social deterioration and urban degradation. Situated on the Polish border, Karviná had, and still has, a large Polish majority and sizeable Slovak, Roma, Greek and Vietnamese minorities. After the fall of communism, the region urgently needed radical economic transformation, a thorough environmental clean-up, and long-term attention from health and educational authorities and social services. A degree of attention has been paid to the region by all of the above, but it is only in the quality of the environment that significant improvement has been achieved. The economic and the social transformations have been slow and painful, the region continues to have one of the highest unemployment rates in the country.

In this context, HCK is an unlikely phenomenon. Almost without any outside help, it has evolved into a FLO that skilfully combines operating programmes and grant making to achieve its goals. It has no endowment of its own and is fully dependent on fund raising. Most of the funding comes from local donors: local government, regional government, corporate donors, other nonprofits, and individuals. The donations are financial, in-kind, and voluntary work. Some give to HCK, but most contribute to specific programmes and projects (donors and volunteers usually participate in these programmes as well). HCK has only received little support from central government and national foundations; and very little from international sources. HCK has long outgrown the Healthy City programme to become a wide community coalition to better its community, now and for the future.

After 1989, a small group of local people, led by a charismatic former miner, Josef Adámek, began discussing the grave environmental and health situation of their home town, looking for ways of helping the most affected groups. They quickly became aware of the complexity of the problem, and expanded the discussion to include relevant experts (doctors, scientists, environmentalists, architects, urban planners, school principals, economists) and societal actors (political parties, trade unions, local government, churches, the business community, budding civil society organisations, and the local and regional media). Intensive discussions lasted for five months, at which point Josef Adámek was selected for a visit by a delegation of Czechoslovak NGO leaders to Denmark, the European headquarters of Healthy Cities. The Danish experience and the concept of Healthy City gave Adámek and his colleagues a suitable framework for what they had

envisioned. After Adámek's return, discussion among stakeholders intensified and it was finally agreed that Karviná would join the Healthy Cities movement. Together with the City Council, and with the help of local students, Adámek's group organised a large opinion survey. Approximately 3,000 Karviná inhabitants returned completed questionnaires in which they were asked to identify the most urgent needs in the city and to express their views on how to respond to them. They identified the environment, health, employment, and social security as the most urgent challenges and expressed a general mistrust of government action to resolve them. On the other hand, only a minority expressed willingness to respond to the needs through voluntary action or to contribute financially to nonprofit initiatives. This research, together with previous analyses and policy proposals by the experts and stakeholders, was the basis for the formulation of Healthy City Karviná's first mission statement, strategies, and its first two projects.

The public opinion research and the analyses exposed three main determining factors for any action:

- 1) The problems were deep rooted and complex; no fast and easy solutions were possible.
- 2) Society was fragmented and people mistrustful of public authority as well as of each other; people also did not trust private voluntary initiative.
- 3) The city, region, businesses and people were all very poor and reluctant to donate time or money.

These main factors determined early strategic decisions:

- 1) HCK would have to work and plan in the long term. In their programmes, they would proceed from "first aid" (i.e. relief of suffering) to "therapy" (remedial action aimed at root causes) to "prevention" (social change). They would start with small concrete projects and gradually develop them into long-term programmes and finally integrate them with other programmes into a wholesome effort at community development and social change. They would start with health and environment but would gradually include other social issues with a view to enhancing quality of life in the city and the region in general.
- 2) They would have to gradually win people over through concrete action, not by talking or promises in election campaigns. They would have to show courage, leadership and honesty to win people's trust. They would have to be strictly non-political and open to all who wished to contribute.
- 3) They would have to learn to do things with very little money. As Adámek repetitiously states, "It is easy to do things if you have money; the trick is to do things if you do not have any."

### ***The Operational Strategies***

The strategic thinking introduced above enabled HCK to develop strategies that successfully responded to the challenges at hand:

- 1) *HCK was established as an independent foundation.* Unlike most other cities in the country, where Healthy Cities are administered by city governments, Karviná decided to establish an independent foundation to manage the programme. It was

felt that a nonprofit organisation would be independent of the political process; it would provide a forum for dialogue and cooperation of all three societal sectors; it would be more trustworthy than government or business; it would be more flexible and operational; it would be more transparent; it would be a better fund raiser.

- 2) *Alliance for everything*. In a poor community, where no single organisation, business, or even local government has enough money for long-term and comprehensive programmes, it is necessary to build a coalition/alliance for each project and programme. Projects get implemented through the amalgamation of brain power, financial support, in-kind support, paid and voluntary work from organizations and agencies from all three sectors. An alliance is created for each project; for each programme; for each programmatic area; in other words, HCK as a whole is an alliance.
- 3) *Stakeholder ownership*. This early lesson learned in establishing HCK is integrated into every new project or individual action that the organization implements or supports. All relevant stakeholders are invited from day one to take part in the work, from needs analysis, to project design, to implementation, to follow-up, and further development. Experience has shown that if stakeholders own the project, programme, or organisation, they will also take part in the work and provide support (financial, in kind, or through voluntary work).
- 4) *Funder ownership*. Strategy number three above has also been expanded to include funders. In fact, there are no “mere funders,” they are also invited to become part of the solution.
- 5) *From small concrete project to comprehensive problem-solving programme*. The solution to every new issue begins with a small concrete project. It may be initiated and funded by HCK from the beginning or proposed by somebody else and accepted, co-implemented and funded by HCK. It is a trust-winning and stakeholder-winning strategy. It introduces the issue to the community; proposes a possible solution; and involves stakeholders and funders in the whole process of needs analysis, project design, funding and implementation from the very beginning. It brings concrete measurable results in a relatively short period of time and thus helps win people over for a more systematic effort, and also win support for follow-up development. Successful projects are replicated, expanded and developed into more complex programmes. Stakeholders thus become part of not just one project but a long-term programme whose strategy they helped shaped from inception.
- 6) *From stakeholder/funder ownership to governance*. As soon as a programme or a cluster of programmes within one thematic field become complex and sustainable enough to deserve independence, HCK’s strategy is to transform it into a new autonomous HCK unit or even a new (nonprofit) organisation. This new unit/organisation becomes a “daughter” or partner organisation, and remains a member of the HCK “family.” With its own governing bodies, more stakeholders and funders are thus directly involved in HCK governance and committed to a more long-term, concerted effort. Thus, this strategy helps the pool of expertise, experience, funding sources, and implementation power of HCK to grow.

HCK’s most valuable partners are those that combine many of the criteria mentioned above and who can also play most of the roles described. An ideal organisation is one that

can provide leadership, experts, funding, in-kind support, management and administration, paid labour, volunteers, dissemination, and long-term commitment. Especially important and desirable is the combination of funder and implementing partner. It is HCK's strategy to win long-term cooperation with partners and to develop in each partner as many of the above-mentioned elements as possible.

### *The Financial Strategies*

For an FLO without an endowment and with no permanent source of income, fund raising has been the central issue in the gradual development of HCK. The strategic financial decisions focused on the poverty of the region and also overcoming a great deal of mistrust. The principal strategies were as follows:

- 1) To develop local/regional funding because of the proximity of local funders to needs and solutions.
- 2) To be transparent and accountable to stakeholders and the community over and above the standard degree and do so in a pro-active manner.
- 3) To rely on in-kind contributions and voluntary work in the early stages of projects and add financial support later.
- 4) To cultivate volunteers as an essential resource. (HCK has a "Volunteers' Club" with a governance and management of its own.)
- 5) To be as economical as possible, with a minimum administration of its own (three people at the moment) and the maximum use of partners for administrative services. (But this may turn into a limiting factor after the organisation has reached a certain stage of development.)
- 6) To pool resources, financial and non-financial, from coalition partners in programmes and projects.

### *Conclusion*

At the right time in the development of HCK, international input from Healthy City gave the founders a needed boost in their thinking. Other than that, HCK is a domestic creation based on the local situation, developed by local people and funded for the most part from local sources. The example of HCK shows that one can gradually build a successful local/regional FLO even in a situation where there is very little trust in civic initiative and very little money to begin with. One can start with in-kind contributions and voluntary work and gradually proceed to develop a funding base for project implementation and then for grant making. The elements of success are courageous personal leadership; mobilization of stakeholders and the public; wide inter-sectoral cooperation; coalition building; and systematic development from specific to complex, from small to big, from immediate relief to long-term solution. HCK began as an operational foundation, but its achievements have gradually been attracting more and more funders so that HCK can now combine the operating and grant-making modes to achieve its goals. It started as one organisation with two projects in 1993, today the three HCK organizations and their partners fund and implement over twenty programmes in five programmatic areas: Health, Environment, Culture and the Arts, Sport and Recreation, Community Development.

At the core of HCK's strategy lies the concept of alliance, partnership and ownership, or "partnership for funding and implementation." Members of the alliance for each programme and project own the project from its inception. They pool their expert knowledge

for the project design and pool their resources and operational capacity for project implementation. HCK does not believe that simple grant making is effective in a situation where organised civil society is underdeveloped; nor does it believe that one can achieve much by implementing programmes of one's own and on one's own. They believe that much can be achieved if all available local resources are pooled together in a coalition of stakeholders, funders and implementing partners; this also leads to the ability to provide additional grant support for a more concerted effort.

## Endnotes

- <sup>1</sup> Under the communist regime, all 'nongovernmental' organisations had to be registered under the umbrella of the Communist-dominated "National Front". Called "mass social organisations" (*masové společenské organizace*), they were large national organizations in which all the membership organisations and service providers, whose existence the regime encouraged or accepted, were united. For comparison, see a summary of the pre-1989 situation in East Germany in Anheier and Priller (1991). The Non-Profit Sector in East Germany: Before and After Unification. *Voluntas*, 2:2, 78–94.
- <sup>2</sup> "Statistika počtu neziskových organizací v letech 1990-2002" ["Nonprofit statistics 1990-2002"]. Praha: ICN. [http://www.neziskovky.cz/Files/Soubory/neziskovy\\_sektor\\_CR/stat\\_NNO\\_1990\\_2003.rtf](http://www.neziskovky.cz/Files/Soubory/neziskovy_sektor_CR/stat_NNO_1990_2003.rtf) (13 October 2003). "Mimovládne organizácie a dobrovoľníctvo" ["NGOs and Voluntary Action"]. Bratislava: SAIA-SC3S. [http://www.saia.sk/mvo\\_facts.aspx](http://www.saia.sk/mvo_facts.aspx) (13 October 2003).
- <sup>3</sup> Act 227 of 1997 on Foundations and Funds. Parliament of the Czech Republic. English translation available at <http://www.icnl.org/library/ceellaws/czeactFoundationsEndFunds.htm>.
- <sup>4</sup> Over 5,200 in 1997; around 270 foundations and 560 funds in 1999.
- <sup>5</sup> Act 207/1996, replaced by Act 34/2002 on Foundations. Parliament of the Slovak Republic.
- <sup>6</sup> Pospíšil, M. (2003a). Fiasko nadacního zákona? Část 1. [Fiasco of Foundation Law?, Part 1]. *Grantis*, 11:1, 4–5. Pospíšil, M. (2003b). Fiasko nadacního zákona? Část 2. [Fiasco of Foundation Law?, Part 2]. *Grantis*, 11:2, 4–5.
- <sup>7</sup> Act 210/2002 of Czech Parliament, which amended Act 227/1997 on Foundations and Funds. Act 34/2002 of Slovak Parliament on Foundations, which replaced Act 207/1996 on Foundations.
- <sup>8</sup> Act 171/1991 on the Establishment of the Foundation Investment Fund for the purpose of supporting the development of foundations. The Czech Government allocated to the Fund 1% of shares that were for sale in the second wave of privatisation of state-owned companies.
- <sup>9</sup> For a condensed account of the process, see Kalousová (2002). Foundation Investment Fund Boosts Czech Foundations' Income. *Alliance*, 7:2.
- <sup>10</sup> Act 216/1996 of Hungarian Parliament on Personal Income Tax, amended by Act 219/1996. Summary in English at <http://www.icnl.org/library/ceelreports/hun1percent.html> (13 October 2003).
- <sup>11</sup> Act 247/2002 on the amendment of Act 366/1999 on Income Tax.
- <sup>12</sup> The text of the case study is based on EPF documentation and an interview with Miroslav Kundera, EPF Director, on 22 May 2003.
- <sup>13</sup> The text of the case study is based on HCK documentation and an interview with Josef Adámek, HCK Manager, on 21 May 2003.



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David Winder

### Major trends in the philanthropic sector

In Mexico there is a tradition of individual philanthropy, expressed in the giving of resources and volunteer support to others in need or to community endeavors, stretching back to pre-Hispanic cultures. In colonial and post colonial times the Catholic Church was the major recipient of individual giving. However, we will focus here on the formal philanthropic sector (i.e. philanthropic institutions, independent of the state and religious organizations, that mobilize and channel resources for the public good).

From modest beginnings in the 19<sup>th</sup> and early 20<sup>th</sup> centuries this sector has expanded rapidly in the past twenty years to become a significant actor in supporting a burgeoning nonprofit sector. A recent study by Alejandro Natal<sup>1</sup> examined the foundation sector, based on a sample of 74 foundations out of an estimated 120 in the country. The profile he presents provides insights into the factors that have influenced this expansion and the role these organizations play.

Looking at the historical development of institutional philanthropy in Mexico, Natal identifies three generations of philanthropic institutions (he uses the term “donor” organizations – even though many of them are both grantmaking and operating). The first generation (pre-1940) were predominantly independent institutions created by the Catholic Church or by wealthy individuals of faith to dispense charity to the needy. They were characterized by family board members as “patrons” and generally supported the same nonprofit organizations year after year or gave small donations to individuals.

The second generation (1940–1960) were also created in their majority by individuals of faith. They differed from the first generation in that they moved beyond charity to support development activities such as the provision of training and credit to small farmers to address the issue of increasing rural-urban inequality. An example of this generation of foundations is the Fundación Mexicana de Desarrollo Rural (Mexican Foundation for Rural Development).<sup>2</sup>

The third generation (1960s to the present) can be divided into two periods, 1960–1984 and 1985 to the present. The first period saw a modest increase in the number of foundations with four being created and showed a tendency towards more professional institutions responding to increasing demands from a growing civil society sector. An



increasing number of civil society organizations took on human rights issues in response to increasing involvement of the Catholic Church in the promotion of social justice. Others demanded attention to the needs of the rural and urban poor and indigenous peoples. The violent repression by government forces of student demonstrations in Tlaxiaco in 1968 was another contributory factor to the increasing mobilization of civil society.

1985 proved a watershed both in terms of the growth of civil society organizations in general and the foundation sector in particular. That was the year a major earthquake struck Mexico City, resulting in widespread destruction of low income communities and heavy loss of life. Frustrated by the slow and inadequate response of the government, a strong and well-articulated civil society movement emerged to take on the leadership of the reconstruction efforts. In 1985–1986 alone, 10 foundations were created to support social development programs (six of them grantmaking and four operating).

In the years following the earthquake, civil society organizations turned their attention increasingly from reconstruction activities to efforts to create more democratic, just and accountable systems of government. Others built on earlier efforts to increase citizen participation in local and national government within the context of respect for local cultures and initiatives. A large number of networks and consortia of NGOs were created around specific themes such as human rights, the environment and electoral rights to facilitate the coordination of efforts. By the turn of the century there were approximately 15–20,000 nongovernmental organizations in Mexico.<sup>3</sup> They have become an increasingly potent and visible force for change at both the local and national levels<sup>4</sup> given their ability to be creative and innovative and their increasing capacity to be financially self-sustaining.

This expanding civil society movement made a major contribution to the transition from a one party state to a multiparty state in the year 2000. Particularly critical was the role played by the “Alianza Civica” (Civic Alliance), a national consortium of civil society organizations that mobilized citizens to ensure fair elections.<sup>5</sup>

The rapid growth of philanthropic institutions has accompanied this expansion of the NGO sector. However the argument can be made that the increase in the number of foundations and philanthropic institutions failed to keep pace with the burgeoning civil society sector. Nevertheless, 52 of the 74 foundations surveyed by Natal were created since 1985. A number of factors account for this increase:

1. An increasing sense of corporate responsibility (case one, FECHAC, is an example of a foundation founded by local business leaders with a social conscience). 23% of the foundations surveyed by Natal were started by corporations or corporate leaders.
2. A realization by civil society leaders that new and innovative forms of philanthropy were required to fund the expanding agenda of social and economic reform being promoted by an increasing number of civil society networks (case two, FUNDACION ROSTROS Y VOCES, formerly FUNDACION VAMOS, illustrates this new trend within the philanthropic sector).
3. Increasing awareness at the local level of the potential to create community foundations to mobilize funds locally and channel them to local nonprofit organizations. This movement was influenced in part by experiences in other parts of the world, but particularly the neighboring United States and in one case U.S. foundations provided challenge grants to stimulate the creation of new foundations (case three, the Oaxaca Community Foundation, illustrates this expanding subset of philanthropic institutions).

Another critical factor accounting for the expansion of the universe of philanthropic institutions, post-1985 was the role played by CEMEFI (Centro Mexicano Para La Filantropia – Mexican Center for Philanthropy). Created in 1988 by a visionary philanthropist, Manuel Arango, CEMEFI plays the roles of both an institution promoting a culture of philanthropy and an association of members drawn from across the nonprofit sector including community foundations, corporate foundations, family foundations and NGOs. One of its most important contributions has been to challenge individuals, corporations and civil society leaders to create philanthropic institutions to benefit the public good. The increasing public awareness created by a national campaign<sup>6</sup> served to put philanthropy and volunteering on the national agenda.<sup>7</sup>

CEMEFI has been a key actor in developing a better understanding of the philanthropic sector. This includes the preparation of a directory of philanthropic institutions (including operating nonprofits) that includes over 7,300 organizations.

In addition CEMEFI has played a critical role in convening dialogues around an enabling legal and tax environment for nonprofit organizations including foundations. The current tax situation is that foundations registered with the Federal Government as nonprofit institutions can apply to the government for tax exemption and almost 90% have achieved this status. In addition NAFTA related legislation passed in 1993 allows for US citizens and corporations to make tax deductible donations to authorized Mexican nonprofit organizations and vice-versa.

Finally, CEMEFI, under the leadership of Executive Director Jorge Villalobos, provides professional development services to three affinity groups of foundations: community foundations, corporate foundations and other grantmaking foundations.

### **What role do foundations play?**

Foundations are playing an important role in channeling funds to civil society organizations. While most of the foundations operate programs in addition to providing grants, almost 75% of their budgets are for grant purposes (319 million pesos out of a total budget of 477 million pesos).<sup>8</sup>

Natal's study of foundations shows a diverse universe in terms of origins, program strategies, sources of finance and staffing. Some draw their inspiration from the nonprofit sector; others are a reflection of increased individual and corporate social responsibility, while others emerged from efforts to create local community-based philanthropic institutions. They range from national organizations that give grants or credit throughout the country to others that provide support to one charitable organization such as an orphanage or home for the aged. They sit at all points on an ideological spectrum from radical to conservative regarding the role of philanthropy and issues such as social justice. Some seek to be strategic in their grantmaking, attacking root causes while others restrict their attention to providing palliatives and relieving suffering for vulnerable groups.

Natal's study draws attention to some important trends in the foundation sector:

- 1) The development of strong professional staff;
- 2) Increasing emphasis on innovative grantmaking programs linked to broader efforts to strengthen the civil society sector;
- 3) The development of strategic alliances or partnerships with other sectors in order to increase their impact (Natal 2002. page 34);

- 4) Increasing creativity in the mobilization of resources from local sources and a decreasing reliance on donations from abroad. Foundations now obtain almost 80% of their funds locally (see Appendix 1);
- 5) Increasing interest in building endowments as a means of covering their core operating costs -64% have endowments.<sup>9</sup>

### **Best practices and options for the future**

One of the most innovative areas of development in the philanthropic sector is that of community foundations. In 2002 there were 21 community foundations in Mexico serving distinct geographical areas, ranging from states to municipalities. A recent survey of 15 of these foundations, conducted by CEMEFI, showed that in 2002 they made 1,400 grants, totaling almost US \$7.5 million, to local institutions. The majority have built endowments, the largest being US \$4.4 million and the average about US \$600,000. These foundations depend on local sources for three quarters of their income, derived from individual and corporate donations, service fees, income from endowments and government grants. Most of them give grants and operate programs. In total, 41% of their income is devoted to grants and 35% to operating programs.

Experience to date with community foundations indicates that this is an area of great potential for the growth of philanthropy in Mexico. Even in the poorest states such as Oaxaca, these foundations have been able to build on local human and financial resources and leverage other funds from government through the creation of partnerships. Some, such as FECHAC, offers a model for mobilizing funds from the business community in support of equitable social development.

As the cases below illustrate these new community foundations and national level community development foundations have proved capable of developing creative fundraising endeavors and of developing strategic approaches to applying their resources.

### **CASE ONE**

**FECHAC: *An enlightened business-led foundation works in alliance with other sectors to address critical community needs***

#### ***Origins of the Foundation***<sup>10</sup>

The state of Chihuahua on the U.S. border has a progressive and creative business sector. Evidence of this is its ability to build new collaborative endeavors to tackle underlying social problems in the state.<sup>11</sup> The origins of the foundation go back to 1990 when a number of business associations joined together to ask the state government to impose an additional 10% on top of the existing payroll tax paid by businesses to fund a program to assist low income communities hit by a major flood in the state capital of Chihuahua. The President of the State Economic Development Association, Samuel Kalisch played a critical role in these negotiations and the subsequent decade of the foundation's life.<sup>12</sup> The program was so successful that the business community requested that the program be extended. Since 1994 the program has generated approximately \$5 million

a year from over 38,000 businesses in the State. By 2002 the annual revenue had reached close to \$8 million and the foundation had over 40 fulltime staff.

FECHAC was created in 1996 to manage the funds previously kept in a trust fund. The Board of the foundation comprises 18 representatives of the business community, 2 members of the State Government and 2 members of the State House of Representatives. A decentralized decision-making structure has been put in place and local committees in each of the major urban areas of the state are given the task of selecting local grantees on the basis of the proportion of the total fund put in by local businesses.

### *Vision and mission of the Foundation*

The vision of the foundation has evolved over time. Today it seeks to be “an effective community foundation that promotes social development throughout the state, supporting the improvement in the quality of life of marginal groups. . . . with tangible results that generate social capital and increase citizen participation in civil society organizations.”<sup>13</sup> With indicators such as 30% of the population lacking access to health services, the challenges of exclusion were, and still are, very real.

The mission of the foundation is to “Contribute to the human and social development of the most vulnerable Chihuahuans through partnership programs that resolve their needs and problems with the commitment of the business community and the society.”<sup>14</sup>

### *Early programmatic approach*

As the corporate sector in other countries has focused increasing attention on achieving the highest impact from their philanthropic dollars or social investment, FECHAC has followed a similar path. In the foundation's earlier days the bulk of the investments were in project support to social welfare institutions run by both government and nongovernmental organizations. These projects varied in size from micro projects, such as the construction of schoolrooms and clinics, to projects worth over a million dollars and involving a number of partners. Other projects addressed humanitarian needs of vulnerable groups. This programmatic focus responded to a need for the foundation in its initial years to respond to demand and show tangible results.

### *Towards a more strategic approach*

Over time the Board has increasingly sought to move beyond this “welfare” approach (we don't use the term “charity” because local organizations always had to make matching contributions) to one that engages the foundation in programs that tackle some of the root causes of social and economic inequity and injustice by empowering local civil society organizations. In addition they have increasingly sought to position the foundation in a leadership role influencing social policy in certain key areas. The result of this strategic thinking carried out within the framework of a strategic planning process has been the emergence of new program lines implemented in partnership with other donors and public and private agencies.

There are a number of ways in which the foundation is being strategic. One is by supporting initiatives that directly enhance the capacity of civil society organizations (both community-based organizations and NGOs) to address issues of social and economic inequality. This involves transferring skills and resources directly to those groups. The second is by playing a leadership role in convening government, civil society and the business

sector to press for improved public policies and coordinated program interventions for vulnerable groups. The third is by building alliances with other organizations to increase the flow of resources to programs that create more opportunity and to build more support. I will give examples of how FECHAC has become more strategic in these three directions.

*1) Support to build the capacity of civil society organizations*

*a) Economic empowerment of disadvantaged groups*

Once the foundation had established a reputation for responsible management and visible results at the community level the Board started looking for ways of attacking the problems of lack of economic opportunity in many low income communities. As a result, in the past three years the foundation has developed innovative programs to assist community-based micro enterprises through micro credit programs and training in enterprise development (marketing, financial management). An emphasis has been placed on credit for women.

FECHAC designed a program that involves funding from the Inter American Foundation and technical assistance and later other support from Community Health and Development (SADEC) a local nonprofit and partnerships with a number of state government organizations including the Office of Commerce and Tourism and the Federal Consumer Protection Agency. This partnership has resulted in support for 68 “community banks” (groups of at least twelve women). They provided loans, mainly to women resulting in the creation of over 1,000 new jobs.<sup>15</sup>

In the interest of building the capacity of civil society organizations to support this type of initiative, FECHAC plans, in the near future, to transfer the management of this micro credit program to a new nonprofit organization created for this purpose.

Another initiative involves an alliance with the Bank of Mexico to set up a \$2 million loan fund to provide individual loans for graduates of the micro-credit program and other beneficiaries.

In another complementary effort to build the capacity of social enterprises, some of which are larger than micro enterprises, the foundation has also received matching funds from the Inter American Development Bank.

*b) Capacity building for the nonprofit sector*

The foundation realized in implementing its early programs that a major impediment to success was the lack of capacity of local NGOs to design and evaluate programs and raise and manage financial resources. In response it carried out a comprehensive survey of NGOs needs in the state using its own diagnostic tool. This mapping enabled the foundation to design a program of training activities implemented by its own staff and consultants. This program met resistance from some Board members who identified some NGOs as “protest” groups. They thought that support for these groups by the foundation could bring it into conflict with the government. Over time, however, the Board became convinced that efforts to build more professional NGOs benefited everyone. It did not imply that the foundation endorsed the agenda of every NGO.

In the early stages of providing training courses the foundation realized that it would be important to create a permanent capacity in independent institutions to provide a range of ongoing support activities to the growing NGO sector. It succeeded in obtaining matching funds from the government to establish two resource centers for the nonprofit sector

(including conference rooms, documentation center and computer facilities) in partnership with local academic institutions.

2) *Leadership in convening sectors to improve policy and program delivery*

a) *Care of the elderly*

In the early days of the foundation, support was given to improving the infrastructure of homes for senior citizens.<sup>16</sup> Dissatisfaction with the limited impact of this approach caused the foundation to commission a diagnostic study on the needs of the elderly. This study suggested other needs that the foundation could address with potentially higher pay-off. As a result, a number of new initiatives have been developed.

First, the foundation took the initiative in creating a state-wide network of 18 organizations providing residential care for the elderly. This network focuses on providing training to staff and volunteers with a view to improving the quality of care and quality of life for the residents. With complementary funding from the Paso del Norte Health Foundation in El Paso, training has been provided in self care of the elderly and disease prevention in the city of Ciudad Juarez. Written guidebooks on the care of the elderly have been produced and distributed. With the support of the foundation the network has been able to hire lawyers to prepare proposals to strengthen legislation addressing the needs of the elderly.

Second, research has been funded on the feasibility of creating day care centers for the elderly in the city of Chihuahua. Studies have been supported at the municipal level into the challenges and opportunities for work with the elderly.

Third, the foundation has participated in the design and funding of special diploma courses for health professionals in geriatrics at two higher education institutions.

b) *Rights of indigenous peoples*

The foundation realized early in its work that to address the underlying needs of the indigenous peoples who had been consistently marginalized, more was required than support for improving community infrastructure.<sup>17</sup> The foundation therefore took the initiative of convening a dialogue of government agencies and nonprofit organizations to discuss the needs of indigenous peoples. This led to the creation of an Inter-institutional Program for Indigenous People. The program has three committees (education, natural resources and human rights and justice) with nine to fifteen organizations on each committee. Each committee has the task of reviewing needs, coordinating programs and developing new programs to strategically address the needs identified. Examples of new initiatives are a program to provide information on legal rights and a program to train communities in sustainable forest management techniques.

The Program also provides courses in “indigenous cultures” for public officials. This awareness building effort has resulted in greater commitment to supporting the widening of opportunities for indigenous groups. To support the program the foundation pays the salary of the program coordinator.

c) *AIDS prevention*

The foundation convened the government agencies (state and federal) and nonprofit organizations to create a new statewide AIDS prevention program. In this case the government pays the salary of the program coordinator and the foundation invests in supplementing teachers salaries.

3) *Build alliances with government agencies, international and local corporate and non-corporate donors and civil society*

From its inception the foundation has seen the importance of creating a wide range of alliances to help it achieve its mission. The partnership with the State Government was critical in the birth of FECHAC and the foundation has built on this relationship to leverage its resources with funding from a number of government agencies, both state and federal. Funding from international foundations and multilateral organizations has been leveraged to enable FECHAC to move into new areas of strategic intervention.

### ***Conclusions***

FECHAC was born as a result of a strong business initiative that received a positive response from the State Governor and Legislature. The beneficiary of a guaranteed annual allocation of funds from the business community, the foundation's strategies for applying these funds have evolved slowly. It started by responding to the immediate needs of flood victims and then moved to respond to requests from social welfare organizations for project support, principally for construction.

Over time Board members have increasingly asked whether the foundation couldn't be playing more of a leadership role in the search for lasting solutions to major challenges facing the poorest sectors of the population. This has led them into dialogue with progressive NGO's, academics and enlightened government officials seeking to understand the causes of poverty in the State. In partnership with other sectors the foundation has started to craft new programs that move beyond the earlier "welfare" response to one that shows awareness of the complexities of social change. Some of these initiatives have been led by the foundation as the implementing agency, such as the program to encourage stronger family values, and then spun off to independent nonprofit organizations. Others start as partnerships between multiple sectors aimed at producing more effective policies and programs for vulnerable groups.

The cases described above of the multi-stakeholder partnerships developed to provide more effective care for senior citizens and to address the needs of the indigenous population are illustrative of the more strategic and proactive approach that now dominates the foundation's thinking and action. This approach has many innovative elements including the use of foundation funds to a) finance studies that provide a rationale for new policies, b) convene all the major sectors c) put in place staff to manage the coordination of partnerships d) strengthen the capacity of civil society organizations to play an effective role in service delivery and e) support the creation of networks of civil society organizations working on the same issues.

A number of elements in the strategy FECHAC has developed to make a lasting difference in the State of Chihuahua are worth emphasizing. First, it continuously seeks to guarantee the financial sustainability of the foundation. It does this by building an endowment (currently at US \$4 million), raising matching funds from private and institutional donors and devising alternative fundraising strategies. Second, it makes good use of volunteers from the business sector. This enables it to keep its overhead at 5% without compromising the professional standards of the foundation. Third its leadership constantly is looking for opportunities to be more responsive to community needs and have lasting impact with its resources. An example of this is its decision to move from being a business foundation to becoming more like a community foundation. This implies broadening the board membership to individuals from non-business groups and further strengthening its reputation for transparency and accountability.



## CASE TWO

**FUNDACION ROSTROS Y VOCES (formerly FUNDACION VAMOS, A.C.): *Civil Society leaders create an independent grantmaking foundation that breaks new ground in building partnerships between sectors and between donors and community enterprises***

### *Origins of the Foundation*<sup>18</sup>

VAMOS was created in 1995 as a result of a meeting between 60 civil society leaders with strong credentials in the struggle to create a more democratic Mexico with increased quality of life for all and greater social justice. It builds on the lessons learned over the past 40 years in building a strong network of social movements in Mexico.

The founders decided that in order to strengthen civil society efforts to build a more participatory society, more effective concerted action was required. This would in turn require new sources of financial support and new partnerships with other sectors. Given that the traditional sources of funding for NGOs, namely European foundations and development aid organizations, were becoming scarcer, efforts would have to be made to cultivate new sources of funding, including private and corporate philanthropic sources, both domestic and international. The founding members elected a Board that reflected the regional and thematic diversity of the NGO movement.

### *Vision and Mission*

The foundation was born with the clear mandate to increase the flow of financial and human resources to people-centered development initiatives and to enhance the cumulative impact of these efforts. Its stated mission is to “mobilize and generate resources to strengthen initiatives that contribute to building social justice.”

### *Programmatic approach*

To implement the mission, the foundation has developed a multifaceted strategy that combines grant and loan support to community-based initiatives, capacity building for civil society organizations and efforts to influence government social policy and achieve greater collaboration between civil society, business and government. Through constant evaluation and feedback the foundation has become progressively more strategic in its approach.

The foundation is strategic in a number of ways. First by supporting the building of the capacity of Civil Society Organizations, second by providing leadership in improving policy and practice in addressing the needs of disadvantaged groups and third by building bridges between sectors.

#### *1) Supporting building the capacity of Civil Society Organizations*

*a) The foundation provides grant and loan support to innovative and replicable community-led programs in a way that ensures the building of local resources and knowledge*

The foundation has played an effective role in mobilizing local and international private and corporate philanthropic resources and ensuring that these funds are applied to programs that achieve strategic impact at the community level. Where requests for grant proposals (RFP's) are used, the foundation draws on the cumulative knowledge of founding members and their organizations and other development specialists, in selecting grantees. Emphasis has been placed on support for projects that test ways of increasing income and improving



livelihoods and demonstrate clear impact on the quality of life. A focus has been placed on building the capacity for self sufficiency in the poorest indigenous communities.

In addition to providing financial support to these community-based initiatives, the foundation from time to time provides other inputs. For example, in the case of support for women's income generation programs in the state of Oaxaca, the foundation has recruited business school students to provide a service in the preparation of business plans. In other cases the foundation has brought together participating community groups to exchange learning and methodologies. An additional support for small producers has been the support VAMOS has provided to NGOs working to implement fair trade certification systems that allow producers to access the fair trade markets of Europe and North America.

In selecting projects to be funded, the foundation has established four guidelines.<sup>19</sup> Firstly, to qualify for support, local development efforts have to be initiated and implemented by the community. Secondly, external resources should complement community resources. Thirdly, foundation investments, be they in the form of grants or loans, should be linked to clear expected outcomes. Fourthly, the whole funding process should seek to achieve greater social justice.

The foundation has a well-developed methodology for evaluating the impact of the community-based programs supported and for sharing the results with others in order to achieve replication. Each program is evaluated by site visits.

*b) Capacity building for social entrepreneurs*

The foundation invests in increasing the capacity of Mexican support organizations to provide technical assistance to community based enterprises with funding. One example is support provided in product marketing for women's enterprises with funding obtained from the Inter American Development Bank.

*2) Providing leadership in improving policy and practice*

*a) Improving practice in under-served social service sectors by applying philanthropic resources*

The foundation has adopted the experience of foundations in other countries in encouraging wealthy donors to create permanent donor-designated funds in the name of a deceased relative. Here again the foundation takes care that such funds seek to have a strategic impact in a given area. For example one such fund supports a network of non-profits providing care for mentally and physically disabled children. The goal of the network is to improve the quality of care. With funding from the program training is provided to professional staff, volunteers and parents and grants given to support innovative work in the sector. The program has resulted in the creation of a support network for parents and the initiation of advocacy to further the rights of disabled children.

*b) Efforts to influence policy*

The foundation has played a role in influencing public policy in a number of ways. First it has responded to requests from specific government departments for studies to help them more effectively focus support on community initiatives. For example, a study was conducted at the request of the Deputy Minister of Agriculture into the plight of small farmers faced by the import of subsidized agricultural products as a result of NAFTA (The North American Free Trade Agreement).

Second, under the government of President Fox, former senior staff and board members of the foundation have been recruited into the Secretariat of Social Development (SEDESOL) to design and implement new programs to deliver support to community level programs of community empowerment. In doing so they were able to draw on a study VAMOS had previously undertaken at the request of the Secretariat. That study demonstrated the positive impact of government support for micro projects initiated by community-based civil society organizations. While it is too early to evaluate the impact of these initiatives, this transfer of expertise has the potential to introduce new ways of thinking into design and implementation of government programs.

Third, the foundation has influenced government practice by designing and implementing co-investment programs. One such example is being implemented by the Federal District Government. It supports innovative programs run by 60 NGOs and community-based organizations in the areas of the rights of women, children and indigenous peoples and fair trade. Such programs are intended to encourage the government to strengthen existing programs that are under-funded or open up new areas in support of civil society. VAMOS has invested \$1.2 million in this co-investment program with funds coming from NOVIB, a Dutch NGO.

3) *The foundation acts as a bridge, providing the necessary human and financial resources, information and contacts to serve both communities and donors*

In the words of Javier Vargas, the former VAMOS President: “we provide the glue”. Over the past eight years, staff and Board have worked together to develop relationships with almost thirty individual and corporate donors and bilateral and multilateral official development aid agencies. Given the accumulated knowledge of the needs of communities available through the VAMOS network, the foundation is well-placed to identify the best match with donor interests and goals. Experience has shown that the foundation is able to ensure that the philanthropic investments are having strategic impact by building on existing assets, skills and experience. Care is taken to ensure that all programs respect the foundation’s vision of people-centered development.

One example is the partnership established between Deutsche Bank and the community of Santo Desierto de Tenancingo in the State of Mexico. The Bank’s social responsibility resources are having impact on community participation in national park conservation and the bank staff is given the opportunity to serve in the community. In the design of this partnership as with other cases, the VAMOS senior staff establishes direct contact with the company directors to identify needs and opportunities.

VAMOS has established strategic alliances with over 20 international and national corporations, including Nokia, Lucent Technologies, Microsoft Mexico and Canon. Many of these programs have focused on innovative youth and education programs in different parts of the country. These programs have mobilized US \$1.5 million of corporate resources plus volunteer time. This task of building trust between sectors that traditionally had little interaction or had a conflictive relationship has been pioneering.

VAMOS through its enlightened leadership has also been able to act as a bridge between local development efforts and international networks with resources and information.

### ***Conclusion***

Deeply rooted in the strong and diverse civil society movement that has flowered in Mexico in the past 30 years, the VAMOS foundation has sought to be strategic in the way it mobilizes and applies its resources and acts as a bridge between sectors. Useful lessons can be learned from the innovative way it has defined its role and programs.

With a clear focus on supporting citizen action based on respect for human rights, the foundation has taken the conscious decision to intervene at multiple levels. In doing so it has drawn on the wide contacts and experience of its founding members and Board members at both the local and national levels.

First it realizes the need to respond to a demand from community groups for support for innovative projects that will impact on their lives. It chooses to do this by focusing on vulnerable groups and by linking these groups to individual and corporate donors who are seeking to exercise their social responsibility in a way that transcends traditional charity approaches. Grants are given through a competitive process and recipients have to provide a counterpart contribution. Efforts are made to overcome the limitations of this micro project support by building in opportunities for sharing of experience between participants.

Second, the foundation is aware that its impact can be much greater if it compliments its support for innovative micro-level initiatives with focused efforts to influence government and corporate policy. This includes support for efforts promoted by CEMEFI to create a more favorable environment for civil society organizations.

Third, it has over its years become increasingly aware of the leadership role it can play by creating a space where civil society, government and the corporate sectors can meet to discuss ways of collaborating on a social development agenda. It plays this “bridging” role by working one on one to connect resources, both national and international, to needs and provide technical support to ensure impact. It also sees its Annual Meeting as a way of not only informing the public on its activities and performance but also encouraging debate on strategies for community empowerment.

Like other civil society-led foundations with no endowment and that are both operating and grantmaking, the foundation has had to be very creative in mobilizing the resources required for it to fulfill its mission. Javier Vargas has had the vision to see the mutual advantage to be gained from partnering with international organizations and global networks. Strategic alliances with groups such as the International Youth Foundation, the Synergos Institute and Oxfam International have helped link the foundation to human and financial resources.

The VAMOS Foundation in its approach to defining its role and responsibilities in Mexican society provides useful pointers on the critical role that can be played by an organization with a clear mission, focused agenda and the commitment to building collaboration and partnerships between sectors.<sup>20</sup>

## CASE THREE

**Fundacion Comunitaria Oaxaca, A.C. (Oaxaca Community Foundation): A Community foundation initiated with strong support from U.S. foundations builds local ownership and a strategic niche in one of the poorest states in Mexico**

### *Origins of the Foundation*<sup>21</sup>

The foundation was legally established in December 1997 as a tax-exempt “civil association” serving the needs of the state of Oaxaca, one of the poorest states in Mexico. It was the result of extensive discussion and planning between local and national business leaders and local civic leaders supported by U.S foundations led by the John D. and Catherine T. MacArthur Foundation,<sup>22</sup> with an interest in supporting new forms of community-based philanthropy in Mexico. Woody Wickham, the Vice President of the

MacArthur Foundation played a crucial role in developing the initiative and mobilizing the required start-up funds. The Mexican Center for Philanthropy (*Centro Mexicano para la Filantropía, A.C.-CEMEFI*) agreed to serve as the facilitator for the initiative.

The foundation was born in the aftermath of the Zapatista armed uprising in Chiapas in January 1994. This event and the considerable public sympathy it engendered highlighted the plight of the marginalized indigenous population in the poorest southern states of Chiapas, Guerrero and Oaxaca. The organizing group that met to discuss the creation of the foundation was aware of the need to explore new ways of addressing the underlying social and economic injustice that prevented most of the population from realizing their full potential. They saw the community foundation as a means of providing support for initiatives that tackled some of the root causes of poverty in the state.

### ***The evolution of the foundation: Building a credible institution and deciding on a program niche***

In the eight years since the idea of creating an independent community foundation in the State of Oaxaca was first discussed up to the present, the foundation has passed through three major stages in terms of both its institutional and program development.<sup>23</sup> An analysis of these stages illustrates how the foundation has become progressively more strategic in its program thinking, thanks in large part to the investment in recruiting skilled professional leadership and developing increasingly effective internal governance and administrative systems to guide and support its work.

#### **1995–1997**

##### ***Creating a solid basis for the organization and building a constituency through responsive philanthropy***

During stage one, emphasis was placed on identifying board members, developing an understanding of the “community foundation model,” discussing alternative visions for the foundation and consulting with different sectors of Oaxacan society. The core group undertook a strategic planning process to formulate the mission and objectives and map out a governance system.

The main promoters of the initiative were business leaders from Mexico City with an interest in the development of Oaxaca. Being “outsiders” it was not surprising that they found it a major challenge to mobilize the support of all sectors of Oaxacan society behind a common vision, particularly as there was no strong tradition of inter-sectoral collaboration in the state. Civil society leaders in particular were reluctant to actively participate in an organization they saw as dominated by business leaders. These were years of learning for all those involved.

Program work in these early years consisted largely in giving small grant support to NGOs working with women, children and youth in response to the interest of two of the international donors, the International Youth Foundation and the MacArthur Foundation. Welfare assistance was also provided to hurricane victims. These grant programs helped to raise public awareness of the foundation and its potential.

#### **1998-2000**

##### ***Institutional strengthening and increasing acceptance by the Oaxacan community***

As a result of a series of dialogue workshops and the initiation of a grantmaking program that demonstrated results, the founders were able to gradually win support for the

foundation from all sectors of Oaxacan society (business, government, civil society organizations, professional organizations, mass media and community level beneficiaries). This made it possible to broaden the representation on the Board to ensure it represented all the major sectors of the Oaxacan community.

Operations systems were put in place, including finance and auditing procedures and a code of ethics. The current executive director, Jaime Bolaños, a highly respected local lawyer, was appointed in 1998 and roles and responsibilities for professional staff and Board committees clearly defined. His leadership has been critical in ensuring the consolidation of the institution and its increasing capacity to play a strategic role.

The range of project support broadened to include joint activities with local government and local businesses. To add to the existing programs in support of children, youth and women, four new programs were initiated, again partly in response to donor interest. These were programs to support inter-sector alliances, community development in selected micro regions of the state, the promotion of social responsibility and institutional strengthening of CSO's.

## **2001-2002**

### ***A new five year strategic plan sharpens the focus of the foundation and moves it to adopt a more proactive strategy***

In stage three, a new five year strategic plan (2001-2006) was prepared, with the active participation of the Board, staff and a wide range of interest groups. During this process, field trips served to develop shared values and commitment among Board and staff.

The strategic plan benefited from an evaluation of the first four years of the foundation's work. This evaluation showed that a large number of projects had received grant support but there was little evidence that local development processes had been strengthened. These findings caused the foundation to adopt a more proactive approach that placed increasing emphasis on strengthening micro regional programs that built the capacity of local organizations and community-based organizations.

The strategic plan narrowed the focus to three programs: 1) the encouragement of social responsibility 2) institution strengthening of grassroots and professional support organizations, and 3) support for local development. The first two are operated directly by the foundation in partnership with other organizations whereas the third combines grant-making and operation.

A further step in defining the comparative advantage of the foundation was taken in December 2002, during the updating of the strategic plan for the next three years, when the foundation specified four cross-cutting strategic foci. These are: Equity, Alliances, Sustainability and Micro-regions. It was made clear that the overarching strategy of the foundation is to bring about change by fostering and strengthening intra-community, inter-institutional and inter-sector alliances.

### ***The Foundation's three programs***

#### ***1) The encouragement of social responsibility***

This program aims to foster citizen and corporate responsibility towards the most vulnerable social groups in the state and towards the environment. The following are examples of actions taken:

- The foundation works with a local broadcasting station to produce a weekly program called “Join Oaxaca” that highlights the work of partnerships between civil society organizations and the business community and presents opportunities for individuals to contribute time and money to serve their community.
- The foundation actively matches local business with community projects. For example a partnership with the local hotel industry enables guests to add a donation to their bill in support of the foundation’s programs. In another case, a corporate donor-designated fund, managed by the foundation, supports child health programs throughout the state.
- The foundation has mobilized pro-bono support from local dentists, pediatricians and other medical specialists to provide free treatment to needy children and youth.
- The foundation organizes volunteer summer camps for Mexican and international students in indigenous communities
- The foundation supported the establishment of a community center in a poor urban area. It involved coordinating the efforts of government agencies, businesses and the foundation. The center provides computer facilities and other education resources for youth and adults.
- The foundation presents annual awards to individuals who have made an outstanding contribution in support of their communities, as a means of encouraging increased volunteering.

## 2) *Institution strengthening*

This program seeks to build the foundation’s own capacity and that of grassroots organizations and professional support organizations working with the most marginal sectors of the population to implement effective sustainable development processes in selected micro-regions. Training is provided through partnership agreements with organizations such as the Oaxacan Accountants Association and local universities.

## 3) *Local development*

This program works to bring about better coordination between all organizations and institutions concerned with local development. The emphasis is on bringing together resources to address needs related to health, education, employment, income generation and environmental sustainability. The foundation invests its own resources and focuses on community-driven initiatives that primarily benefit women, youth and children and seek to bring about lasting change. The approach used is “people centered”, recognizing the critical importance of understanding the challenges from the perspectives of those living in poverty.

## *A micro-regional strategy*

The foundation realized that support for geographically disperse micro projects, while responding to immediate needs, held little prospect for lasting change, particularly in the absence of clear strategies to ensure their sustainability. It therefore decided to concentrate its local development and institution strengthening programs primarily in four micro regions. The micro-regional approach incorporates a number of elements:

- Micro regions are selected using a number of criteria including the presence of civil society support organizations with a proven track record that can facilitate the development process. Each micro region covers between twenty and forty communities and one and three municipalities.
- The focus on the micro region enables the foundation to work with the facilitating NGO to develop coordinated interventions that are driven by the community and respond to their priorities. Examples are support for the production of non-timber forest products for the market, the provision of computer centers in schools, the construction of feeder roads and the installation of potable water systems.
- To maximize impact the foundation builds multi-stakeholder alliances and partnerships. Being a private organization above the party political fray has enabled the foundation to “weave alliances between the business sector, the government and civil organizations.”<sup>24</sup>
- The foundation applies its relatively limited resources to fill critical gaps not funded by other partners.
- The foundation gives importance to increasing the capacity of civil society organizations to play an effective role in the partnerships.
- The foundation has in place an impact evaluation system that defines the outcome and impact of each program supported and incorporates learning into the design of future programs.

### ***Innovations developed by the foundation***

#### ***Governance***

The foundation has succeeded after five years in building a strong board comprising representatives of business, NGOs, indigenous communities, academe and professional associations. The Board has successfully developed a common vision and strategy for the foundation and crafted new approaches to empowering disadvantaged communities.

The foundation has also established a reputation for transparency by frequently reporting its activities in the press.

#### ***Program***

The foundation has developed a strategy characterized by both thematic and geographic focus. It also realizes the importance of working simultaneously at different levels. Thus in its work as an agent for social change in selected micro regions it is building the capacity of CSOs, mobilizing resources through multi-stakeholder partnerships and making grants. It adds value by ensuring more effective coordination of all institutions responsible for providing services in the micro region and at the same time works to bring new partners such as business leaders to the table.

This proactive approach in building strategic alliances with business, government and NGOs has produced measurable impact. To date the foundation has developed alliances with 17 municipalities and with the state and federal governments and mobilized and programmed more than US \$10 million for local development, including US \$3.5 from its own resources. It has established partnerships with more than 70 civil society organizations in support of social development projects.

At the policy level the foundation has also used its leadership and access to good effect. For example it has successfully advocated for the repeal of a state government



decree that introduced government controls over the governance of NGOs. It also played a key role in the introduction of a new law protecting the rights of children and youth.

The introduction of strategic planning and program evaluation tools has enabled the foundation to better identify its niche and achieve focus in its work.

In recognition of its contribution to local philanthropy, the foundation had the honor of receiving the “National Recognition for Commitment to Others” award in 2001 from CEMEFI.

### *Fundraising*

By using the contacts of the Board and professional staff, particularly the Executive Director, the foundation has been able to convene municipal, state and federal government, business and civil society to raise matching resources for new programs and greatly increase the impact of its initiatives. For example the foundation recently signed an agreement with the state government that provides over US \$500,000 a year of matching funds to support CSO institution building and micro regional development. Care is taken to ensure that the independence of the foundation is not compromised.

The foundation, by mobilizing the skills of its Board and staff, has been able to move from being 90% dependent on international funds in 1998 to being only 30% dependent in 2003. Funding has also become increasingly diversified with the number of individual donors increasing from one to four hundred between 1997 and 2003. The foundation’s budget has increased from US \$300,000 in 1998 to US \$1 million in 2003. This has been achieved with an overhead of about 12% and a staff of nine.

### *What is replicable?*

The experience of the Oaxaca Community Foundation is being shared with other community foundations in Mexico and elsewhere in the world. The Executive Director, Jaime Bolaños, and Board Members are active participants in a number of networks including the Council on Foundations (U.S.), the Synergos Institute’s Senior Fellows Program and the International Youth Foundation’s partners network. Each organization sees learning from different aspects of the foundation’s development as relevant to their needs depending on their stage of development. However most agree that the emphasis on investment in Board and staff development in the early stages of the foundation was critical.

## Appendix I

### SOURCES OF FUNDING FOR MEXICAN FOUNDATIONS (Alejandro Natal, 2002)

| Local Sources                   | 79% | International Sources      | 9%  |
|---------------------------------|-----|----------------------------|-----|
| Corporate Contributions         | 31% | Foundations                | 52% |
| Donations from Individuals      | 17% | NGOs                       | 1%  |
| Income from Endowment           | 19% | ODA                        | 13% |
| Government Donations            | 6%  | Donations from Individuals | 16% |
| Donations from other nonprofits | 8%  | Other                      | 18% |
| Membership                      | 6%  |                            |     |
| Other                           | 13% |                            |     |

#### **Total Budget of Mexican Foundations:**

- 477 million pesos (approximately US \$ 50.3 million)\* for year in year 1999
- 319 million pesos (approximately US \$ 33.6 million)\* in grants

\*Exchange rate: 0.10546, as of 07/01/99, according to <http://www.oanda.com/convert/classic>



## Endnotes

- <sup>1</sup> Alejandro, N. (2002). “*Recursos Privados para Fines Publicos: Las Instituciones Donantes Mexicanas*”. Mexico: The Synergos Institute, Centro Mexicano para la Filantropía and El Colegio Mexiquense.
- <sup>2</sup> Fundación Mexicana de Desarrollo Rural – Case Study, The Synergos Institute (1995).
- <sup>3</sup> This was a dramatic increase in the size of the Mexican nonprofit sector in a fifteen year period. However despite this growth, Mexico still lags behind other countries. A study by Gustavo Verduzco et al. for CEMEFI and the Johns Hopkins University Institute for Policy Studies, Center for Policy Studies (*Perfil del sector no lucrativo en Mexico por Gustavo Verduzco, Regina List and Lester Salamon*) shows that despite the fact that it employed 94,000 employees and 47,000 volunteers and had operational expenses of 1,300 million dollars in 1995 the Mexican nonprofit sector was in the bottom quartile of 22 countries surveyed.
- <sup>4</sup> For an analysis of the role civil society has played at the national level see “El Desarrollo, una tarea en comun: Dialogos sociedad civil-gobierno, Brasil, Colombia, Mexico” by Valencia, E. & Winder, D. The Synergos Institute (1997).
- <sup>5</sup> For a clear analysis of the dynamic growth of civil society sector during this period see “Abriendo Veredas” by Reygadas, R.
- <sup>6</sup> The campaign, launched in 1994, called “*Mira por los demas*” (“Looking out for others”), encouraged corporations and individuals to contribute 1% of their income to philanthropic purposes and individuals to contribute at least one hour of voluntary service per week.
- <sup>7</sup> “*The role of philanthropy centers in supporting grantmaking foundations: the case of the Mexican Center for Philanthropy*”, Winder, D., (2001) first published in *Altance*, 5(1).
- <sup>8</sup> Based on 2002 data from 90% of the 74 foundations surveyed.
- <sup>9</sup> Alejandro, N. “*Recursos Privados para Fines Publicos: Las Instituciones Donantes Mexicanas*” Synergos Institute, Centro Mexicano para la Filantropía and El Colegio Mexiquense, Mexico, 2002.
- <sup>10</sup> This case was based on an interview with Jesus Ortega Pineda, the Executive Director of FECHAC, and the foundation’s reports.
- <sup>11</sup> See “How CSR and an Entrepreneurial Business Culture Go Hand-in-Hand” by Kellee James ([www.iaf.gov/publications](http://www.iaf.gov/publications))
- <sup>12</sup> See Padilla, R. “An Exceptional Organization and an Unusual Leader in Mexico: The Case of FECHAC and Samuel Kalisch” ITESM manuscript 2002.
- <sup>13</sup> FECHAC Report of Activities 2002-2003, p. 5.
- <sup>14</sup> *Ibid* p. 1.
- <sup>15</sup> See Levinger, B., and McLeod, J. “FECHAC project profile” on [www.iaf.gov/publications](http://www.iaf.gov/publications)
- <sup>16</sup> Support is still occasionally provided for infrastructure projects if strong proposal is presented to the Board.
- <sup>17</sup> According to data from the Instituto Nacional Indigenista (INI), there are approximately 100,000 indigenous people (Tarahumara/Raramuri and other ethnic groups) in the state.
- <sup>18</sup> This case study was based on an interview with Javier Vargas, former President and Bernardo Barranco, former Executive Director and the foundation’s reports and additional comments by Javier Vargas. We will use the original name of the Foundation throughout the case study, as the recent change of name postdates the writing of the case.

- <sup>19</sup> Interview with Javier Vargas, former President and Bernardo Barranco, former Executive Director, May 29, 2003.
- <sup>20</sup> In 2005 the Board of FUNDACION VAMOS took the decision to change the organization's name to FUNDACION ROSTROS Y VOCES. The major reason for the change was that VAMOS was losing public confidence through confusion with VAMOS MEXICO, a different foundation accused of corruption. The foundation also underwent a change in leadership in 2004 and is in the process of reviewing its mission, vision, strategy, programs and staffing. This case study describes its mission, vision and strategy from its founding in 1996 up to 2004. Readers wishing to follow how the foundation is redefining its mission and work in this new phase of its development are encouraged to visit the foundation's website at [www.rostrosyvoces.org](http://www.rostrosyvoces.org)
- <sup>21</sup> In preparing this case profile we draw on "Lessons Learned: Year 2003," a report on the experience of the Oaxaca Community Foundation prepared by Vivian Blair and Associates with the support of Jaime Bolaños Cacho Guzman, Sául Fuentes Olivares, Julio Córdova and Monica Sierra. May (2003). This "reflection" included interviews with representatives from many parts of the Oaxacan community.
- <sup>22</sup> Other foundations that played a support role, both in terms of finance and advice, were the Ford Foundation, the Rockefeller Foundation, the W.K. Kellogg Foundation and the International Youth Foundation.
- <sup>23</sup> Based on analysis by Jaime Bolaños Cacho Guzman and Sául Fuentes Olivares.
- <sup>24</sup> "Lessons Learned p. 22: Year 2003," a report on the experience of the Oaxaca Community Foundation prepared by Vivian Blair and Associates with the support of Jaime Bolaños Cacho Guzman, Sául Fuentes Olivares, Julio Córdova and Monica Sierra, May 2003.

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David Bonbright

### **Genesis**

This case study begins in a determination by His Highness the Aga Khan to encourage higher levels of indigenous philanthropy in Pakistan. Through the Aga Khan Foundation, Prince Karim Aga Khan has for three decades supported a growing range of social and economic development programmes, typically in partnership with international aid donors and the Government of Pakistan. He asked, could and should these and other valuable development programmes of Pakistani civil society organizations not find more financial support from within Pakistan?

In June 1998, the Aga Khan Foundation shared this question with a diverse group of eminent Pakistanis representing leadership from government, business and civil society and challenged it to seek ways of enhancing giving and volunteering in Pakistan to promote sustainable, self-reliant national development. The response was immediately enthusiastic and the Steering Committee for the Initiative on Indigenous Philanthropy was born.

### **The Initiative on Indigenous Philanthropy**

With AKF Pakistan serving as secretariat and drawing generous support from the Canadian International Development Agency (CIDA), for the next two years the Steering Committee for the Initiative on Indigenous Philanthropy guided an extensive process of investigation and consultation that has itself become an oft-cited exemplar of public policy development “best practice” in Pakistan.

Motivated by an overarching concern to move Pakistan towards greater self-reliance and away from dependency on external aid, the Steering Committee set the following objectives.

- > To raise awareness of the concept of philanthropy as social investment in development as well as charitable relief.
- > To realise sufficient consensus among key stakeholders to establish useful institutional mechanisms to promote philanthropy, particularly a national “centre for philanthropy.”

- > To encourage and support government to create an enabling regulatory and fiscal framework for citizens' organisations and to begin a multi-stakeholder consultative process with the goal of building consensus and confidence for such a framework.
- > To stimulate the media and other agents of public understanding to undertake affirmative efforts to raise the level of public awareness of the self-help movement of Pakistan's poor, and, particularly, the opportunities that all Pakistani citizens have to help that movement.
- > To advance the efforts of citizen organisations to achieve proactive self-regulation, including establishing a code of conduct and certification mechanisms.

When the Steering Committee began there existed only anecdotal evidence of the nature and extent of philanthropy in Pakistan. Accordingly, the first and most crucial step was to commission original and, for Pakistan, pioneering research on key aspects of giving and volunteering. Six major studies were commissioned:

- 1) A more philosophical and historical overview of philanthropy in Islamic contexts
- 2) A series of case studies of exemplary citizen organizations that relied significantly on indigenous philanthropy
- 3) The first even household survey of giving and volunteering attitudes and practices
- 4) A survey of corporate philanthropy
- 5) A history of citizen action for public benefit broadly defined
- 6) A review of the regulatory, legal and fiscal framework

Both in the course of these studies and alongside them, the Steering Committee consulted widely across Pakistani society and canvassed international experience. These consultations involved hundreds of individuals and organisations, including in government at national, provincial and local levels, and resulted in generating considerable interest in the topic, in not yet a clear consensus of views.

At the end of two years, the Steering Committee for the Initiative on Indigenous Philanthropy felt ready to publish a set of findings from the research and consultation process. It did this in two major volumes entitled, *Philanthropy in Pakistan* and *Enhancing Indigenous Philanthropy for Social Investment*.

As set out in the executive summary of *Philanthropy in Pakistan*, the main findings were:

- > Our current practices of “giving” are diverse in scope and massive in scale. According to the first National Survey of Individual Giving, most Pakistanis make charitable donations or volunteer their time each year, reaching an impressive aggregate 1998 total of Rs 70 billion. The bulk of indigenous philanthropy in Pakistan is either provided directly to individuals to alleviate an immediate hardship, or to religious organisations. Yes the attitudes expressed in the survey findings convey confidence that indigenous philanthropy can become a leading source of investment in long-term development. This is especially true since Pakistanis from all backgrounds do give to social organisations, with the likelihood increasing in the higher income brackets.
- > There is an extraordinary opportunity for citizen organisations working to address social needs to tap the deep impulse and practice of charitable giving and volunteering in Pakistan. But since these organisations—commonly referred to as NGOs—are generally not well understood, the citizen-led development movement must seek proactively to commend itself to society at large, to government, and to its potential

Pakistani donors and volunteers. Such an effort would entail new mechanisms for self-regulation that distinguish the good, the bad, and the ugly, and therefore foster greater social legitimacy. They would also encourage citizen organisations to measure and communicate the impact of their work rather than merely describing their activities.

- > According to the first National Survey of Corporate Giving, the business community can and would like to provide more financial and in-kind support for citizen-led development efforts. Business leaders expressed an in principle openness to a developmental and more professional approach to their giving, but do not yet have the confidence in or experience with the private intermediary development agencies – the NGOs – to be comfortable doing so. International experience shows that the establishment of grantmaking foundations by corporations and wealthy individuals significantly increases the impact and effectiveness of their giving.
- > Government has already done much to encourage private philanthropy, specifically through generous tax incentives for charitable giving. But public officials and citizen organization leaders do not know each other sufficiently well. There is an opportunity, therefore, to engage in a multi-stakeholder consultative process with the goal of building consensus and confidence in a more enabling environment, particularly with respect to registering and regulating citizen organizations.

To encourage wide debate in order to improve and affirm these findings, the Steering Committee for the Initiative on Indigenous Philanthropy convened a major international conference in October 2000. Opened by the Head of State, and attended by the head of government, General Pervaiz Musharraf, cabinet ministers, and the leadership from business and civil society, the Conference debated the findings in depth, ultimately affirming the findings and recommending the creation of a “Pakistan Centre for Philanthropy” that would succeed and extend the work of the Steering Committee.

Setting out a mission and objectives for such a Centre, the conferees concluded that, “[W]hatever mechanism is ultimately established, it should become indispensable to the efforts of potential social investors to establish grantmaking foundations. It should identify credible social investment opportunities and spur citizens’ organisations to effective self-regulation and performance accountability. It should work with the government to promote an enabling legal and fiscal framework for philanthropy, and build government capacity to facilitate the work of citizens’ organizations. And it should work with the media and others to raise awareness in society about the significance of citizen giving and volunteering.”

The Conference was the culmination and conclusion of the Initiative on Indigenous Philanthropy. Subsequently, the Pakistan Centre for Philanthropy was established and has successfully carried forward its charge from the conferees to promote indigenous philanthropy through research, policy reform, and direct services to government, philanthropists, and citizen organisations. Most notably, it was asked by the Government to lead a national consultative policy reform exercise, which it did in 2002. That led to reforms in the tax system, a draft bill outlining a new regulatory framework, and a new certification scheme for citizen organisations that is self-regulatory in its nature.

Highlighting the theme of self-reliance, the Steering Committee had challenged the conferees to provide the finance for the Pakistan Centre for Philanthropy. The conferees rose to the challenge: pledges were made sufficient to ensure three years of core operating costs for the proposed centre.

## Analysis

The strategy had been simple, and it worked.

First, an important set of previously underappreciated set of societal practices were carefully studied and brought to light.

Second, the empirical research was framed in a policy argument about the role the indigenous giving practices could play in meeting an important and well-recognized need for more reliable financing for social development in general and for citizen organisations in particular. Timing was important here as the theme for self-reliance was strongly felt at this time of international sanctions against Pakistan (after the first nuclear detonations).

Third, the case for indigenous philanthropy was also framed to address the practical needs of different parties. Government had tried and failed to modernise the legal and regulatory framework for nonprofit organisations and it now recognised that it needed to take a partnership approach to do so. Philanthropists were solicited and made to understand that the Pakistan Centre for Philanthropy would offer practical services to meet felt needs to do more to meet education and health backlogs especially. And citizen organisations were offered the prospect of more and better sources of funding for their good work.

Fourth, the entire awareness raising and action agenda was steered by a broadly based committee of leaders influential in civil society, business and government. The head of the largest private university chaired it, and it included leaders of some of the largest NGOs in the country, as well as top business leaders and retired senior government officials. Over a two-year period this committee met every other month, and in the six months leading up to the Conference, it met monthly. This was a significant commitment and one that they excelled in because to a person they were the of the view that it was of paramount importance that Pakistan take a participatory approach to development, and that to really do this the current paradigm of governance must be deconstructed. In sum, they were committed reformers.

In conclusion, it is fitting to note on a theme that resonated throughout the Conference: the tremendous importance of giving to Muslim societies across time and geography and, more specifically, the special relevance of Islamic injunctions on philanthropy to the development needs of today. Nowhere was this more clearly or eloquently stated than in the address made by His Highness the Aga Khan to the Conference on October 17, 2003. Speaking to a central point raised by the Conference – the responsible stewardship of philanthropic gifts—His Highness observed:

*The obligation to maintain the highest level of integrity in the management of donated resources, and of the institutions benefiting from them, is grounded in our faith. It is critical to the realisation of the purposes of all gifts, to the continuation and growth of philanthropic giving, and for credibility in the eyes of the public. Muslim societies have the moral right to expect and demand that philanthropic donations be managed according to the highest ethical standards.*

To the best of our knowledge, the Pakistan Centre for Philanthropy was the first philanthropy-support organization in the Islamic world. It is especially hoped that others in the Islamic world will find that this story of its genesis is useful to their own struggles to enable traditional giving practices to become an effective resource to address the deep problems of education, health and social development in their societies.

## CASES FROM THE PHILIPPINES IN INNOVATIVE PHILANTHROPY: AN OVERVIEW OF THE PHILIPPINES

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Natasha Amott

### Introduction

While it could be argued that the rise of organized philanthropy in the Philippines had its impetus in the Catholic Church's appeal to parishioners to give alms to the less fortunate, today's range of philanthropic institutions operate under a multitude of strategies and reflect the breadth and diversity with which the sector has grown. Undoubtedly, the growth and change in the field has in large part been a reaction to socio-economic realities in the country. New forms of philanthropy continue to be experimented with as poverty levels remain high. While in the first three quarters of 2002 the Philippine economy exhibited a more robust growth than in the same period for 2001, in 2000 approximately 34 percent of the population, or 26.5 million people, were living below the poverty line (meaning on less than US \$276 a year in the Philippines).<sup>1</sup> Levels of unemployment are high and investor confidence is generally weak, especially in light of sporadic terrorist bombings in the Southern region of Mindanao and the failed mutiny of nearly 200 military officers in late July 2003.

### *Organized Philanthropy: Past and Present*

Nevertheless, the "bayanihan" spirit that Filipinos are known for means that community residents often come together to help one another. Moreover, the organizations of civil society reached new heights in the late 1960s. Against this backdrop, a few major network organizations were born in the early 1970s that have since been instrumental in building the field. In 1970, 50 corporations came together to create a business-led social development foundation. The Philippine Business for Social Progress (PBSP) has grown to more than 160 members, has worked with about 2,500 partner organizations, provided over PHP 4.6 billion (US \$84 million) in financial assistance to support over 5,000 projects, and benefited over 2.5 million households. As members, corporations commit 20 percent of 1 percent of their pre tax net income to the foundation's grantmaking, programs, and operations.

In 1972, the Association of Foundations (AF) was born. It is the country's first network of NGOs and foundations and today boasts a membership of approximately 142



organizations, of which 79 are grantmaking or lending organizations. It provides capacity building and network services, forms collaborations across sectors and has recently opened an information center with databanks that serve its members' needs on a wide range of topics. In 1992, the League of Corporate Foundations (LCF) spun off from AF in order to serve corporate foundations specifically and spur more corporate social responsibility in the Philippines. It has more than 30 members that are both operating and grantmaking corporate foundations.

In 1998, the Philippine Council for NGO Certification (PCNC) was created in response to calls from national NGO networks, the Philippine Department of Finance, and the Bureau of Internal Revenue to have an accrediting body with responsibility for ensuring high standards of professionalism and accountability within NGOs and foundations (which together reach over 60,000). As of the end of September 2005, PCNC had evaluated 713 organizations; 543 have been certified and 71 were not (and the remaining 99 are taking the necessary steps to comply). PCNC has become a model for other foundation and NGO sectors in Asia struggling to build a professional sector. Several philanthropic organizations, NGO associations, academic institutions, and corporate foundations also came together in 1998 to form the Philippine Philanthropy Steering Committee. The purpose of the informal committee is to promote the growth of Philippine philanthropy.

Based on a study conducted for the year 2000 by AF and The Synergos Institute on foundations in the Philippines, 56 indigenous foundations facilitated the flow of approximately US \$10.5 million in that year alone.<sup>2</sup> A breakdown of this snapshot indicates that of these 56 foundations, 24 are both grantmakers and lenders, 20 are purely grantmakers, and 12 make loans only. A total of 43 are both funding and operating organizations. Foundation expenditures on self-administered projects amount to 32 percent of total expenditures while grants make up 27 percent and loans 17 percent.

A majority of these foundations (68 percent) are based in Luzon where Manila, the capital, is located. Only 14 percent are in the most southern region (Mindanao) and 18 percent in the central region of the Visayas. In terms of focus areas of foundations, education and training rank highest, followed by micro-credit, community development, public health, and environment and conservation. Many of these foundations are national or regional in scope.

A strong desire on the part of the sector to see that same level of mobilization and impact born out at the community level has ignited a community foundation movement in the country. What makes this movement particularly exciting is that it is very much grounded in etching out a context for community foundations that matches the local reality. Led by AF, a study was completed in early 2003 that identified important community foundation characteristics and plotted existing organizations along that spectrum. AF continues to work with these organizations to enhance their capacity to take on a more pronounced community foundation role.

For example, the Kabalaka (“concern”) Development Foundation in Negros Occidental, Philippines, which supports communities of sugar plantation workers and their families in this province, sought to transform itself into a community foundation following a decision that in order to be truly sustainable it needs to have a stronger local constituency. When Kabalaka explored different approaches to increasing its sustainability, it found the community foundation model to be most promising and appropriate (see Lighid 2002, for more). According to E. Lighid of Kabalaka, the message that it is taking to heart is that “communities should become partners rather than recipients of development.”



Similarly, Pondong Batangan is a Church-led movement in the province of Batangas to encourage parishioners to save and donate their savings to a community fund for local development efforts. In fact, long before the volunteers behind Pondong Batangan had heard of community foundations, they were calling their group a community foundation believing that this simple term reflected well the purpose of the funds.

On the corporate side, LCF has a membership base that collects corporate contributions for investing in social development. According to an LCF survey of its members between 1996 and 1998, nearly PHP 1 billion (approximately US \$18 million) was spent on programs in a one-year period in that time in the following areas: education (82 percent of the members participated in giving to this area), entrepreneurship (38 percent), community development (35 percent), environmental protection (33 percent), and housing and related services (33 percent).

### *Funding Sources*

Unlike foundations in the US or Canada, most foundations in the Philippines were not created with an endowment and many in fact struggle to raise funds to support their annual grantmaking and lending activities. According to the 2000 survey conducted by AF and Synergos, the data demonstrate that while a majority of funds (57 percent) received by foundations are from international sources, the gap between international and domestic sources is growing smaller as increasing resources are being raised in the country. Of the 43 percent of funds received domestically, the largest proportion (approximately one third) came from corporations in 2000. This is not surprising given the rise in popularity of corporate social responsibility in the Philippines that began after PBSP's creation. Close on the heels of corporate contributions in 2000 was that of endowment income (at 26 percent), followed by earned income (at 22 percent). National and local governments contributed about 11 percent of domestic funds received by foundations.

Of the 57 percent of funds received from international sources in 2000, official development assistance (ODA) from foreign governments dominated in contributing nearly half of the total amount received by foundations. International foundations and NGOs contributed about another quarter each to that total. This trend does show signs of falling, however, as ODA agencies have been reducing funding to the Philippines considerably and the Ford Foundation closed its office in Manila permanently in September 2003 after more than 3 decades of grantmaking in the country.

Conspicuously absent from this list are contributions from individuals. According to a survey conducted by Venture for Fund Raising, a fundraising consultancy based in Manila, total giving by households (in cash and in-kind) varied widely, from a low of PHP 107 (less than US \$2) in one remote province to PHP 2,130 (just under US \$40) in the country's capital.<sup>3</sup> Most often, these are contributions to the church.

As the community foundation movement referenced previously reflects, the challenge now lies in raising more funds within the country and from more than just the elite few. Fundraising needs to become more innovative and strategic approaches to resource mobilization tested.

### *Taxation and Giving*

In the Philippines, non-stock, non-profit organizations (which would be most NGOs or foundations) do not pay taxes on income received if it is used to support their declared

programs. Furthermore, local donations to PCNC-certified organizations may be deducted from a donor's taxable income.

### ***Best Practices and Options for the Future of Philanthropy***

One phenomenon worth noting for its potential contribution to the growth and shape of philanthropy in the Philippines is that of mobilizing diaspora funds. One of the more interesting population statistics in the Philippines is the sheer number of citizens employed abroad, particularly in Europe and in the Middle East, who are sending remittances to their families and hometowns. According to studies by researcher J. Opiniano, conservative estimates of remittances from Filipino overseas contract workers – who number approximately 7.4 million – are between US \$6 and US \$8 billion a year and thus a significant stimulus to the economy. Remittances from overseas contract workers contributed 8 percent to the GNP in 1999. Increasingly, academics and development practitioners in the Philippines are seeing the tremendous potential of mobilizing diaspora philanthropy for local development.

Two examples suggest a burgeoning interest in diaspora philanthropy. The Asia Foundation, based in San Francisco founded Give2Asia to promote philanthropy in Asia and in 2000, the Ayala Foundation US was established by the Ayala Foundation in the Philippines, a corporate giving arm of the Ayala Group of Companies. Both are trying to mobilize the Philippines diaspora and others in the US who want to channel philanthropic contributions to the Philippines. The Ayala Foundation US hopes to channel US \$1 million in charitable contributions to the Philippines in 2003.

The two cases presented on the following pages speak greatly to the context for philanthropy in the Philippines. Certainly, there are challenges to be overcome, including the difficulties of working in areas of armed conflict (confined to certain parts of Mindanao), recent political crises, the lingering effects of the economic crisis, and declining international sources of funding for development activity. At the same time, both cases highlight the tremendous potential there is to learn from the work of foundations in the country. Foundations are creating effective partnerships for change that work to complement rather than duplicate resources, and government, corporations, and the general public is increasingly supportive of development activity and the role of foundations in that process.

In specific terms, however, the case studies offer two different scenarios of the application of strategic philanthropy. The first is the Consuelo Foundation, which is working to improve the lives and living conditions of disadvantaged children, women, and families in the country. This case examines Consuelo's strategic philanthropic practices through the lens of its efforts to build the organizational and financial sustainability of its non-governmental and community-based partners, and to effect change through multi-sectoral, multidisciplinary initiatives. The second case is of the Peace and Equity Foundation, a relatively young organization. This case demonstrates an increasing ingenuity in how foundations in the Philippines are leveraging their assets by bridging more traditional philanthropic practices (i.e. grantmaking) with opportunities afforded by the workings of the capital markets.

Together, the two cases intend to demonstrate that in the practice of strategic philanthropy, the process of making decisions that cause a foundation to allocate their time and resources strategically is just as important as the outcomes these decisions generate. At its

best, these outcomes will directly bring about social justice; at the least, these outcomes will generate positive social change that, over time, will eventually lead to greater social justice.

## **The Consuelo Foundation<sup>4</sup>**

### ***Introduction***

The “State of the Filipino Children 2002” reports that of the almost 4 million Filipino children aged six years and younger, only 56 percent have access to early childhood education. On an average day in the country, about 44,000 children between the ages of 5 and 17 make the streets their home. Approximately 10,000 children are victims of the commercial sex trade, mostly girls between the ages of 10 and 18. What’s more, four million Filipino children are engaged in child labor, more than half of whom are exposed to hazardous conditions regularly.

A history of such sobering statistics is what led to the formation of the Children and Youth Foundation of the Philippines in November 1993. While the foundation was founded and financially supported through an affiliation agreement between two US-based organizations – the Consuelo Zobel Alger Foundation in Hawaii and the International Youth Foundation in Maryland – the latter withdrew as a charter organization in 1995 and the young foundation became a subsidiary of Consuelo Foundation alone, assigned to oversee support for children and youth programs in the Philippines. Ms. Consuelo Zobel Alger, who was born into a leading business family in the Philippines named Zobel de Ayala, created and endowed the Consuelo Foundation before she passed away in 1990 in Hawaii, where she and her husband had retired in 1986.

In 2000, the Children and Youth Foundation of the Philippines assumed a wider mandate and in July 2002 became the Consuelo Foundation, Inc., the operating arm in the Philippines of the Consuelo Foundation in Hawaii. Today, the Consuelo Foundation seeks to ensure that the desire of its founder to “renew hope for those who have lost it or to give hope to those who never had it” is realized under the mission of supporting programs in the Philippines which improve the quality of life of disadvantaged children, women, and families.

At present, Consuelo pursues two priority programs for this target population: first, prevention of abuse and exploitation and amelioration of conditions of survivors of abuse and second, enhancement of social and economic potential. Within these two programs, the foundation applies the following strategies: (1) contracting partner organizations (what other foundations might call “grantees”) to undertake projects in alignment with Consuelo’s mandate; (2) developing the programmatic and organizational capacity of both partners and other promising youth serving programs, primarily through networking; (3) making a compelling case to the public, policy makers, and funders that the needs of women, children, and youth require more support; (4) mobilizing funds from domestic and international sources to support youth development; and (5) supporting the development and testing of innovative interventions to improve service delivery.

Overall, Consuelo has 107 program partners. Sixty percent (or 64 partners) are non-governmental organizations (NGOs); 25 percent are church-based, operating as foundations or institutions run by religious orders; 5 percent are corporate foundations; and 10 percent are government organizations. A board of 9 trustees governs Consuelo.

### *Consuelo's Path to Strategic Philanthropy*

Of the various ways in which foundations can exemplify strategic philanthropy, Consuelo asserts it most strongly in its ethos of partnership. To Consuelo, partnership serves as the context for its service delivery, which it views as an instrument that can generate a wider impact with its available resources. Partnership is reflected in two key ways: (1) building partners' financial and organizational sustainability over the long term; and (2) acting as a catalyst in order to effect change on multiple levels.

### *Building the Capacity of Partners*

Building partner capacity is achieved by jointly agreeing on a set of organizational and service delivery standards to which each partner aspires and by targeted technical and financial assistance supplied by Consuelo. In supporting capacity building, Consuelo hopes that partners will experience enhanced capacity to conduct strategic planning; implement outcomes-focused projects; organize and advocate; practice entrepreneurial management; and lead in effective human resource management. And this, Consuelo hopes, will mean that more benefits will accrue to targeted communities. Moreover, if a strong organizational foundation is built within each partner, Consuelo has some assurances that the end of its financial support will not result in the demise of the organization.<sup>5</sup>

To help build organizational sustainability, Consuelo has created an organizational assessment approach that sets standards for five key organizational elements: (1) organizational purpose and commitments; (2) governance and administration; (3) human resource development and management; (4) health and environmental safety; and (5) financial management. Training and technical assistance in each of these areas is provided by Consuelo staff and external resource persons along with financial support as necessary.

In 1999, Consuelo created a Resource Development Department to systematize its efforts to help partners become more financially sustainable by diversifying their relationships and strategies for mobilizing resources. Since then, forms of assistance have focused on working with partners to:

- Develop social enterprises, which includes mission-related ventures, stand-alone businesses, and strategic partnerships with businesses and micro-enterprises.
- Implement effective fundraising activities or advocacy campaigns.
- Create fee-based services for clients and marketing of high-performance programs to donor communities for the continuation, expansion, or replication of projects.
- Promote tri-sectoral partnerships in local communities to complement partners' resources with those of business and local government units.

Some partners have started enterprises selling such items as bottled water, juice, and iodized salt. Others rent commercial stalls and post-harvest facilities, while others manage microfinance and cooperative credit programs. Two have started multi-year fund raising campaigns; others have proactively searched for new donors and have increased their base of individual supporters.

Another unique role that Consuelo plays to build partners' capacity is in creating peer networks. Clusters of partners sharing programmatic foci, such as prevention of child abuse or indigenous youth, are organized and joint learning sessions set up. Most

often, a cluster meets annually to share learning and think about ways to improve service delivery.

### *Catalyzing Change on Multiple Levels*

Consuelo's experience in working with various kinds of organizations has taught the foundation that in order to address complicated and deep-seated societal problems such as child abuse and out-of-school youth, there must be a concerted effort by a range of professions, disciplines, organizations, and service providers. The foundation accepts that most problems are bigger than what it alone can afford to provide and that it needs to involve other players to create meaningful social change. Consuelo has responded to this in a purposefully strategic manner: it initiates and participates in projects that give rise to collaboration among government, civil society, and business. In so doing, it effects change on multiple levels and often on a large scale.

Engaging with other actors also provides Consuelo with the opportunity to leverage its resources to channel additional but complementary resources to an important initiative. It realizes that the foundation's resources alone are insufficient to make the difference that's needed. In some cases, this involves identifying other donors who can fund the replication or scaling up process of a project with a proven track record. Consuelo oversees the replication process and also funds an evaluation process that leads to a decision on whether or not to replicate a program and on how to enhance project design and implementation.

Consuelo's role in adopting a multi-disciplinary approach can be illustrated in more specific terms in two examples, the first of which will be discussed in detail. The Psychosocial Legal Assistance for Sexually Abused Children (PLASAC) is a program initiated by Consuelo. Today, PLASAC has 25 core members and seven affiliate groups that make available a comprehensive, coordinated, and holistic range of services required to handle abused children cases. The project's objectives are to: equip all stakeholders with interdisciplinary psycho-social and legal skills; form and support a pool of case management teams to handle child abuse cases; provide shelters and institutions for free and/or provide subsidized access to volunteer lawyers, psychiatrists, psychologists, and medical doctors with expertise in case management; and make available the integrated service delivery to individual child abuse victims.

PLASAC came about following a conversation between Consuelo's Executive Director and the representative for the French foundation, ASMAE (*Aide Socio-Médicale à L'Enfance*), in the Philippines, which had been supporting some of Consuelo's partners. The representative expressed concern that a gap existed in the services being provided to sexually abused children. Specifically at issue was a perceived lack of coordination among service providers and the need for greater integration across services. Immediately, Consuelo and ASMAE agreed to collaborate on an assessment of the situation. While ASMAE did a survey to validate their impressions, Consuelo sponsored workshops with key stakeholders to discuss the root cause of the problem and therefore the appropriate strategies to adopt. A training needs assessment of all stakeholders ensued to prepare them for a more integrated approach.

The multi-disciplinary and multi-agency nature of PLASAC is manifested in the process by which services are provided to sexually abused children. Lawyers, social workers, and mental health professionals are assigned to each case and concentrate on delivering the services necessary for ensuring the speedy recovery of and justice for the sexually abused

child in a coordinated and efficient manner. Having a network of members offering different types of services but in a collective fashion has facilitated the exchange of knowledge, resources, strategies, and technologies across disciplines and agencies and led to a more efficient service delivery approach.

A second multi-sectoral project initiated by Consuelo is the Philippine Out of School Children and Youth Development (POSCYD) Project. While Consuelo initiated the project, it worked in consultation with multiple stakeholders, including NGOs, government agencies, corporate foundations, and individual experts, to prepare its funding proposal which it presented to the World Bank's Global Partnership for Youth Development initiative. Once funding was received, the multi-sectoral angle remained. Now, the project aims to bring back out of school children and youth aged 6 to 24 to school; offer alternative learning systems and develop productive skills; and provide employment to older youth, aged 15 to 24. A complementary objective is to challenge government, NGOs, the business sector, and international donors to make a concerted effort to assist out of school children and youth, a reality far too prevalent in the Philippines.

What these and other Consuelo-initiated multi-sectoral and disciplinary projects share is a desire to address the lack of an efficient system capable of dealing with disadvantaged groups as well as the recognition that the sum of individual initiatives could be multiplied by careful collective organization and planning across groups and sectors. It is not always easy to obtain the active participation of staff from multiple sectors and agencies in these projects. In most cases in fact, Consuelo has learned that it takes a good amount of networking, advocacy, and legwork to just catch the interest of an agency. When partners truly feel commitment to the objectives of the project, however, the project becomes a self-sustaining coalition working symbiotically.

### *Behind Consuelo's Strategic Philanthropy*

How has Consuelo been able to attain strategic philanthropy, as practiced in this regard?

First, Consuelo staff and Board have always recognized that despite its assured funding from its mother foundations, averaging US \$1 million annually, its **resources are finite**. Having a very practical perspective on the amount of resources available, financially and otherwise, prompted Consuelo to see its partners and other agencies and sectors as potential contributors. To Consuelo staff and Board, having "partners" equates with having complementary resources to contribute to the issues at hand. Consuelo realizes this thinking by leveraging its own funds as a means to engage other donors, requesting its project implementers to provide counterpart funds in projects, and really committing to building their partners' organizational and financial capacity so they can be sustainable in the long term. In other words, rather than choose to only tell grantees that Consuelo's funds are limited, they engage with them as partners to collectively determine the right strategy for the organization to attain its goals.

Second, Consuelo undertakes intensive and highly pragmatic **strategic planning processes**. From 1995 on when the foundation became a subsidiary of the Consuelo Zobel Alger Foundation, staff learned that to have the desired impact it had to sharpen the definition of its programmatic concerns and strategies. In that year, Fely Rixhon assumed the position of Executive Director and Consuelo set in place a three to five year strategic planning and annual operational planning process that involves all staff members. The strategic planning activity includes inputs from prominent resource persons and partners involved in



cutting-edge technologies related to the foundation's programs. The strategic plan itself defines program priorities as an outcome of understanding what is the:

- mission of the foundation;
- analysis of the external environment in which the foundation operates, especially in relation to children, youth, and women issues (including threats and opportunities);
- program imperatives for the foundation;
- analysis of the internal environment of the foundation including its history, programs, and staff (including strengths and weaknesses); and
- organizational imperatives for the foundation.

An important input into every strategic plan that Consuelo creates are regular impact evaluation results collected from programs and foundation partners via third party evaluators. These results are particularly important when considering project replication.

Driving the strategic planning are also strong commitments to personal visions. While Consuelo's Executive Director, Fely Rixhon, and President, Patti J. Lyons, have both had a considerable impact on moving the foundation to incorporate a strategic outlook, they both believe ardently and passionately in fulfilling the original vision of Ms. Consuelo Zobel Alger.<sup>6</sup> As Rixhon contends, "All our efforts to strengthen organizations and their programs and to improve their prospects for sustainability ensure that her wishes are carried out and that the target sectors continue to receive required services. We have been given a legacy to preserve. As a consequence, we should stay the course and not be diverted from discharging the responsibilities associated with it."

Third, Consuelo staff and board conduct **regular landscape scanning** in order to identify the specific needs, opportunities, and challenges that it wants to address in its work and also to understand the root causes behind the problems it seeks to ameliorate. In the process, it works at multiple levels of society. Information is culled from partners, experts in the field, peer institutions, and government agencies. Primary to these is its continuous dialogue with partners culminating in an annual partners meeting where issues, needs, opportunities, and challenges are tackled jointly. Consuelo staff and board are always listening.

In addition, Consuelo commissions research on key topics (e.g. a situational analysis on child abuse or juvenile justice) and conducts regular monitoring and evaluation of its programs. Staff and board also keep informed through active membership and leadership in organizations and networks that are on the forefront of analyzing and confronting development issues specific to Consuelo's target beneficiaries. To keep its board members regularly informed, newspaper clippings and interesting articles related to the foundation's interests and direction are shared with them.

Consuelo staff also invites government officials to participate in training and workshops that the foundation sponsors and staff also makes presentations to government officials to brief them on innovative projects that they think should be replicated or expanded. This stems from Consuelo's institutional belief that mainstreaming of projects can only happen with government's support.

### ***Innovations and Opportunities for Replication***

An increasing demand for accountability and transparency by international donors makes Consuelo's focus on organizational sustainability and standards highly relevant. Nevertheless, there remain challenges in a number of areas for the foundation.

The programmatic aim to achieve sustainable partners is not always simple, despite successes already enjoyed. The biggest challenge is in increasing the number of partners who are willing to change their organizational culture, from behaving like charities to thinking and acting like enterprising non-profits and engaging other stakeholders in their causes. And for those who have started the transformation, there is a question of how to stabilize and sustain them in their newfound path to self-reliance. The ability to secure funds from several sources is anchored primarily on the partner's acceptance of the paradigm that responding to the organization's financial concerns does not equate with turning one's back on the organization's mission. Some partners believe that in the development milieu, a division of labor should exist: donors concentrating on providing funds and development education, and NGOs concentrating on program development and service delivery. In this equation, raising funds, especially generating profits, outside of raising grants from foundations is not perceived as the work of an NGO by all organizations.

Moreover, some partners that would like to go into social enterprises and which have received assistance for feasibility studies and market research do not have the needed capital or equity to start the desired business. Unused to competing in the market, some are risk and loan averse and are turned off by the high loan interest rates of formal lending institutions. Moreover, they are discouraged by the state of the Philippine economy, where even businesses run by full-time and dyed-in-the-wool businessmen are suffering from losses. To compound matters, Consuelo's loan facility has been significantly decreased due to the decline in income from its own investments.

In the area of tri-sectoral partnerships, several partners still deal with local businesses or government agencies on a one-on-one basis rather than collectively. In large part, this is because it is hard to break out of the mold of seeing these sectors as more than just contributors of financial resources. In addition, some partners find that getting business or government agencies involved in their projects with the desired intensity is too difficult and time-consuming.

In response, the Consuelo Foundation is seeking to: enlist more players in funding partners' programs; build the existing network of implementing organizations so it can constitute a critical mass of organizations that can advocate effectively for the causes of children and youth and scale up effective programs nationwide; and ensure sustainability of partners and keep them focused on children and youth issues. With perseverance and a strong basis from which to work, the foundation will undoubtedly meet these challenges with success.

In considering opportunities for replicating the strategic efforts of the Consuelo Foundations, the following pointers should be considered:

- (i) Nurture a partnership that aims for a high level of organizational and programmatic effectiveness.
- (ii) Develop leadership and technical competencies at appropriate levels.
- (iii) Allocate or seek resources to develop partners' capacities for strategic thinking, entrepreneurship, and social marketing.
- (iv) Provide opportunities for local partnerships, alliances, and networks to develop and flourish.
- (v) Monitor progress, evaluate impact, and reward outstanding outcomes.

The case of the Consuelo Foundation demonstrates two innovations in strategic philanthropy, one focused on enhancing grantee sustainability and the other on bringing groups together to address critical problems. Neither building sustainability nor trying to



effect change that cuts across multiple sectors and agencies is always easy, as the challenges noted above indicate. The rewards are potentially great, however, and may prove to be the most critical intervention to improve the lives of disadvantaged children, women, and youth in the Philippines.

## **CODE-NGO and the Peace and Equity Foundation<sup>7</sup>**

### ***Introduction***

This next case on the Peace and Equity Foundation (PEF) is decidedly different from the previous one. This case tells the story of a very young foundation, only 2 years old at the time of writing. While the short history of the foundation means that its impacts are not fully understood yet, it has developed particular strategies that demonstrate significant innovation in resource mobilization and resource use. These strategies offer tremendous potential for other foundations seeking to become more strategic in their philanthropy.

### ***The Work of PEF***

By late 2000, the Philippine economy was in a fragile state. Aid from foreign governments, traditionally a major source of funds for development activities across the country, was declining and Filipino business profits were declining, sparking concern about how critical development activities would be funded. Against this backdrop, a few key civil society actors began a dialogue on what else could be done to eradicate poverty and the marginalization of poor communities.

One key result of these dialogues was the formation of the Peace Equity Access for Community Empowerment Foundation (more commonly known as the Peace and Equity Foundation or PEF) in October 2001, endowed with a fund of PHP 1.3 billion (US \$26 million).<sup>8</sup> The founders of PEF were largely from the Caucus of Development NGOs (CODE-NGO), the Philippine's largest association for networks of nonprofits. After beginning operations on January 1<sup>st</sup>, 2002, PEF's fund at the end of 2003 was worth approximately PHP 1.41 billion (over US \$25 million).<sup>9</sup>

Using the interest earned off its endowment (at least PHP 100 million, or US \$1.8 million annually), PEF now helps support the development of empowered communities by ensuring that communities are able to: meet their basic needs; engage in socio-cultural and economic activities; and participate meaningfully in local governance in an atmosphere of social harmony, cooperation, and sharing.

In order to try and meet this mission successfully, one of PEF's first steps was to create a "poverty map" of the Philippines in which sectoral and geographic concentrations of poverty are identified by using indicators of education, health, income, and employment. This allowed PEF to prioritize the most poorly-ranked 28 provinces so that an appropriate program of support to these areas could be developed. Step two is still in development but involves devolving funding to "partnership and access centers," or PACs at provincial levels. In this model, each PAC is either an existing or new network that will support local NGOs and people's organizations (POs) within that province or region using PEF and other funds. This model is based on the assumption that a PAC is more likely to be in touch with local development activities in need of funding because they are based on the ground compared to PEF which covers a wider area. Moreover, it is hoped that these responsibilities will result in improved institutional capacity within each PAC

to manage community development programs and contribute to the sustainability of local organizations. PEF provides each PAC with assistance under the following four fund types:

- revolving loans to support economic and income generating activities of PAC partners and beneficiaries;
- grants for basic social services and other non-income generating activities of PAC partners and beneficiaries;
- capacity building to build the managerial and organizational capacity of the beneficiaries of each PAC; and
- management and administrative support to help defray the costs for the PAC to implement the partnership program with PEF.

PEF is governed by a nine-person board, three of whom are from regional NGO networks with operations outside of Metro Manila.

### ***CODE-NGO & The Peace and Equity Foundation's Path to Strategic Philanthropy***

In its short existence, how have CODE-NGO and PEF exemplified strategic philanthropy? I would argue that the association and foundation championed strategic mechanisms for mobilizing and using financial resources, as exemplified in the following two examples: (1) the creation of an endowment fund through capital market transactions, as led by CODE-NGO; and (2) effective leveraging of the foundation's assets to leverage other funds, recover funds, and complement existing funds.

#### **Establishing an Endowment Fund via the Capital Market**

Behind the creation of PEF is the story of the "PEACe Bonds" and a goal to raise PHP1 billion (approximately US \$20 million) in the capital market. PEACe Bonds is the acronym for Poverty Eradication and Alleviation Certificates, a term devised by CODE-NGO leaders when they first hit upon the idea of engaging the capital market as an effective means for generating income for poverty alleviation endeavors in the Philippines. Between February and October 2001, this idea was nurtured, implemented, and the result was that civil society leaders successfully and legitimately raised approximately US \$27 million.

How these funds were raised in such a short time is fascinating and is best told from the perspective of the woman who led this pioneering process. Marissa Camacho-Reyes is a long-time civil society leader in the Philippines and in late 2000 was President of the Association of Foundations, a network of nonprofits and foundations. At that time, the Philippine economy was still trying to bounce back from the slump caused by the Asian financial crisis; ODA agencies, long a major source of funding for development activity, were cutting back their funds to the country. The need to raise funds to put into development was increasingly a preoccupation of Camacho-Reyes as the prospects of raising monies from the usual sources, including even corporate foundations, were bleak. She began asking: "When a business wants to expand its operations and does not want to borrow money from a bank, what does it do?" She was told that it issues bonds and that is where the first kernel for what became known as the PEACe Bonds was formed.

Between November 2000 and February 2001, Camacho-Reyes studied the mechanics of bonds and when she thought she understood enough, she prepared a 2-page concept

paper outlining an idea for raising money by retailing development bonds. She convened a group composed of civil society colleagues and investment bankers who might be open to working with civil society. When she presented her concept paper, the bankers responded that it would not fly as she had designed it. But she pushed on and asked the bankers if it would be possible to raise money through bonds if the design was different. They said it was but that they had never done it before. Camacho-Reyes asked them to design a package for CODE-NGO based on bonds and one of the bankers was tasked to do the research and prepare the financial design, or “term sheet.” In the next meeting, that investment banker presented his proposed financial structure or design. All the other bankers agreed that his design was not only simple but also very doable.

Meanwhile, Camacho-Reyes was elected as Chairperson of CODE-NGO in March 2001. As CODE-NGOs’ national coordinator, Danilo Songco joined Camacho-Reyes on the bonds initiative, as did Marcia Miranda, the Vice President of the Association of Foundations. CODE-NGO members supported this initiative as they recognized that organizations often have great projects but lack adequate funds to implement them.

A critical element in the banker’s plan was the purchase of government bonds in the primary market to be resold later in the secondary capital market. The spread between the two would be used to fund an endowment controlled by a new foundation. But CODE-NGO did not have the money to make such a buy. It was at that point that the bankers led CODE-NGO to Rizal Commercial Banking Corporation (RCBC). RCBC was contracted to bid on behalf of CODE-NGO for the bonds and RCBC Capital was contracted by CODE-NGO to fully underwrite the transaction, which would then mean that CODE-NGO would not need to put up the cash to purchase the bonds. Once this project was approved by RCBC Capital’s board, CODE-NGO and RCBC entered into an underwriting agreement in March 2001.

On October 16, 2001, the Philippine Bureau of Treasury held an auction of 10-year zero-coupon Treasury Notes, or bonds. This was part of the government’s ongoing borrowing program to cover its operating expenses and debt servicing. Unlike other Treasury Notes that pay interest on a semi-annual basis, payment on a zero-coupon bond is only due at the time of maturity. Owing to this, the governments are willing to sell such bonds at a deep discount relative to its face amount. For governments, zero-coupon bonds offer the advantage of money upfront to spend on capital or other projects as well as better cash flow management during the term of the bonds.

While the idea of using “zeroes” as practiced in developed capital markets was thought of by CODE-NGO and its contracted financial advisers, RCBC was not assured of winning the competitive auction against the bids of other sophisticated players. On October 16, 2001 its bid of 12.75 percent was successful, however. Prior to the auction, RCBC Capital had committed to underwrite the transaction at 11 percent, meaning that the parties agreed that should CODE-NGO be awarded the zeroes at the auction, RCBC Capital would buy them from CODE-NGO at 11 percent.

The government sold the PEACe Bonds at about PHP20 for every PHP100 of their face amount, which was actually a very competitive rate at the time of the auction relative to the prevailing market rates of 10-year fixed-rate Treasury Notes. RCBC paid PHP10.168 billion (approximately US \$185 million). After 10 years, it will have the face value of PHP35 billion (US \$700 million). The difference represents the principal plus the compounded interest that the loan will earn in 10 years.

Three days after winning the bid on the bonds (during which time no other bidder contested the results as is permitted by law), the deal was sealed with full payment going

to the Bureau of Treasury. By October 19, 2002, just 10 months after completing the first official brainstorming between the investment bankers and NGO leaders, RCBC had sold the bonds to RCBC Capital at 11 percent per annum or PHP 11.9 billion (almost US \$217 million), the bank had reimbursed itself the PHP 10.168 billion that it paid the Bureau at the auction, and had remitted the difference of approximately PHP 1.8 billion to CODE-NGO. After paying the fees owed to the bank and underwriting division as well as to the financial advisors, CODE-NGO divided its net proceeds of PHP 1.48 million (nearly US \$27 million) between a trust fund for the CODE-NGO secretariat and its services to network members and the trust fund for management by the new Peace and Equity Foundation worth PHP1.3 billion (approximately US \$26 million).

### **Leveraging the Assets of the Foundation**

While the initial birth of PEF's endowment employed innovation and strategy, the ways in which it continues to leverage these assets exhibits even further strategy.

PEF invests its endowment fund through fund managers. The target return on this investment is 10 percent per annum (although the actual return on investment has been closer to 12 percent). Interest earned on these investments is used to finance development projects. Since a portion of the disbursements to development projects are in the form of 'recoverable' instruments – loans, equity, guarantee/warranty – PEF expects to recover at least 40 percent of the funds disbursed (net of write-offs from bad debts). These are then added to the funds available for development financing.

PEF attempts to leverage its assets in the following ways:

#### *Fund Recovery*

Fund recovery is grounded on a policy that grants should not be provided to projects that are expected to generate revenues (such as in micro-finance or micro-enterprise projects). In these cases, PEF utilizes several financial instruments, including loans, guarantees, and equity that will enable the foundation to recover the principal and earn income. Grants are reserved for projects that are not expected to "make money," such as training, community organizing, or research and development. PEF believes that grant-dependent enterprises tend to become uncompetitive and inefficient, and thus cannot survive in the open market.

In order to improve PEF's performance in fund recovery, complementary policies were devised, including:

- a) Incentives in the form of interest rebates. For example, a microfinance project that will open a new branch in a PEF priority region may be given a loan of PHP3 million (US \$54,500) for working capital payable in 3 years with one year grace period on the principal. This loan will likely carry an interest rate of 12 percent per annum, payable monthly. If all the amortizations due for the year are paid on time, PEF will provide a 3 percent rebate to the proponent at the end of each year.
- b) The provision of grants for institutional support and beneficiary development. Institutional support refers to grants to an implementing organization to cover the startup costs of a new project, such as staff salaries for 6 months, staff training, computers, etc. Grants for beneficiary development are provided for skills trainings, workshops and field visits to improve the capabilities of the beneficiaries.
- c) Calibration of the level of assistance provided. In addition to being very careful in thinking through the forms of support PEF can provide to the range of

organizations and initiatives it might support, staff also matches the level of assistance given with the maturity level of the proponents. PEF staff believes that mature organizations can absorb more financial resources than start up organizations can and that the latter are likely to need grants designed around improving institutional development specifically.

#### *Requiring Counterpart Funds from Project Stakeholders*

Sectors benefiting from any project that PEF is supporting are expected to put up a counterpart, which may or may not be in the form of cash. For example, in a potable water system project the local community might provide labor; the local government might provide materials and personnel (such as services of the municipal engineer); and PEF might provide monies for the purchase of materials. In a microfinance project, the partner might provide staff salaries and office equipment, while the beneficiaries' counterpart might be the savings they are expected to plough back into the enterprise. This policy improves the chances of success of the project and extends the outreach of the foundation.

#### *Donors' Forum*

PEF has helped initiate a forum among other foundation donors in the Philippines to ensure complementarity in resource allocation as well as increased leveraging of financial and other resources. What brings these funders together is a shared sense that: (i) no funder should reinvent the wheel; (ii) each organization has developed a field of expertise that can be tapped; (iii) rather than "do it alone" or "do it all," it is better to apply an organization's resources to where it has the potential to have the greatest impact (i.e. where it has a niche); and (iv) where donors find themselves operating in the same geographical areas they can accomplish more by working together.

For now, modest targets have been set. The forum has identified four provinces where there is a high degree of overlap among the donors and they have divided into provincial clusters to develop common activities and projects for each province.

#### *A Warranty Facility*

Another form of fund leveraging developed by PEF is the setting up of a "10 million peso performance warranty facility" to help poor families acquire housing in urban areas. The Philippines has a Community Mortgage Program wherein urban poor communities can avail of a loan from the National Home Mortgage Finance Corporation (NHMFC) to purchase the land where they are residing. Due to the complex and bureaucratic nature of processing such requests, however, it can take a very long time for such funds to be released. There are, however, certain requirements that tend to delay the release of the funds for land acquisition.

PEF has responded to this problem by working with NHMFC to make the process easier. NHMFC has agreed to defer the dates by which four required documents need to be submitted in order to release funds for land acquisition within a much shorter time frame. In fact, the time between application and release of funds is being cut from 2-3 years to less than a year. In exchange, PEF provides a warranty that the four documents can be delivered by a Community Association (CA) within 18 months. PEF also warrants that the CA attains at least 90 percent collection efficiency rate on its amortizations to NHMFC (the CA collects monthly loan amortizations from members and pays that amount to NHMFC). The foundation pays penalties on behalf of the CA if any of these

conditions are not met. An additional important element in the arrangement is that it is the landowner (who benefits from the early payment) that pays the 3 percent ‘warranty fee’ to PEF, not the community association. The warranty is valid only for an 18-month period for each housing project.

The value of the warranty is equivalent to 10 percent of the loan of the community association. Thus, the PHP10 million warranty fund of PEF effectively covers loans at least 10 times its value or at least PHP100 million (approximately US \$1.8 million) worth of loans to urban poor communities.

### *Behind CODE-NGO & PEF's Strategic Philanthropy*

What triggered this strategic approach to resource mobilization and resource use?

While ODA agencies had been pouring more money into development in the Philippines after President Corazon Aquino came into power in 1986 in order to strengthen the new democracy that her administration was forging, these funds began to decline considerably in the mid-1990s as the economy appeared to strengthen relative to other countries. In 1995, USAID and CIDA cut their NGO programs by 50 percent; they have continued to reduce their NGO funds since then. In 2001, the Ford Foundation announced that it would be closing its doors in September 2003 after more than three decades in the Philippines. At its peak, Ford granted approximately \$10 million a year.

At the same time, the worsening economic conditions in late 2000 and fears about it only growing more severe, especially under the unstable political conditions then (former President Joseph Estrada was undergoing his impeachment trial) prompted Marissa Camacho-Reyes, President of the Association of Foundations, the Philippines largest and oldest membership network of foundations and NGOs, to begin a dialogue on what foundations could do together over and above what they were already doing to raise urgently needed development funds. It was during this dialogue that Camacho-Reyes finally said to her colleagues: “I think we should look outside the NGO sector” (Mayuga, 2002). Some interesting concepts for project development were discussed but the real issue was where to get the funds for the projects. And it was this that led to the realization of the PEACE Bonds one year later.

In short, Camacho-Reyes had an idea – to raise money from the capital market – and the experts – mainstream investment bankers – developed and designed the financial structure to make that happen. CODE-NGO provided the track record and associated social capital needed to negotiate with RCBC and government agencies concerned.

Concerning strategic resource use, PEF staff and board are very driven to demonstrate results. In fact, when PEF first started operations in November 2001, the Board solicited proposals for projects that would demonstrate results at the community level in 3 to 6 months. The sense of urgency was partly to stem off the then growing feeling of disenchantment among poor communities that was manifested in the May 1<sup>st</sup> 2001 incident when the residence of President Gloria Macapagal-Arroyo, Malacanang, was stormed by hundreds of urban poor residents who were supporters of deposed President Estrada. The Arroyo administration took this as a wake-up call to examine its poverty alleviation programs and attempt to channel more benefits directly to poor communities. The trustees of PEF decided to support these efforts and set out to actively solicit and support basic service projects like setting up potable water facilities and livelihood support.

This quest for ensuring results is also manifested in the internal processes for planning. In September 2002, after three new members were elected to the PEF board and a new



Executive Director hired, senior staff and board members conducted a major strategic planning process. The two-day workshop resulted in the honing of PEF's unique niche in the country as well as the set of strategies for accomplishing this niche, which included the PAC strategy to devolve funding to communities, the application of the poverty map, and the definition of "key result areas" that sets out specific forecasted accomplishments for PEF's performance using quantitative and qualitative measures over the next three years, such as how it will reduce lag time between the receipt of project applications and fund disbursements.

This drive to demonstrate results fast may in part be attributable to a felt need to assuage any lingering doubts amongst the public about the intended purposes of working with capital markets to raise funds.

### *Innovations and Opportunities for Replication*

When asked what he might recommend to other foundation staff seeking to leverage foundation assets, PEF executive director, Enrico Garde, recommended:

- (i) Ensure that the community involved feels ownership over the project. To facilitate this, make sure residents have a stake in the project. The willingness of communities to provide cash and/or non-cash counterpart is an indicator of the relevance of the project to their needs.
- (ii) Sell the idea to donors to fund along with you. Donors can be more open to complement rather than compete with one another.
- (iii) Bring in representatives of civil society, the private sector, and government. Such joint action can lead to a combination or blending of expertise and best practices so that new ideas or innovations are created.

In countries without a precedent of NGOs or foundations having engaged the capital markets in order to earn funds, the experience of the individuals who made this happen are also worth noting. They tell a story fraught with complexity and often misplaced accusations but ultimately success. At the time that Marissa Camacho-Reyes, Dan Songco, and Marcia Miranda were leading the discussions with financial advisers and RCBC, Camacho-Reyes' brother, Finance Secretary Jose Isidro Camacho, was undergoing his Senate confirmation. He already supervised government agencies through which this project had to pass at various stages. While all necessary requirements to implement this fundraising activity were in place before Mr. Camacho was appointed Finance Secretary and although he appropriately stayed out of all the CODE-NGO discussions around the zero-coupon bonds, some of his political opponents still tried to argue that he was in some way maneuvering this deal in the interests of his sister. This happened despite the fact that the transactions were completely transparent and legal.

At the same time, CODE-NGO leaders had to face the antagonism and shock that their peers – other civil society leaders expressed towards them when their actions to engage the capital markets became publicized. For some, the assumption was that any deals with the capital markets must be inherently unjust. This is illustrative of how the non-profit sector has perhaps steered too far from the for-profit sector in its course of development.

For foundations interested in replication of this strategy, CODE-NGO leaders have pointed to the realities that made their foray into the capital markets a successful one:

- (i) The idea was simple. It was based on the usual trading of financial instruments that created incentives for buyers and sellers. While it required financial

creativity to come up with the idea and design, it was easy to do once a competent team of financial advisors and experts in legal finance, taxation, and accounting were concerned. Camacho-Reyes argues that trading zero-coupon bonds may not be the only way to tap the capital markets.

- (ii) As perhaps the largest civil society network in the Philippines, CODE-NGO had a sufficiently strong track record and credibility to ensure it had sufficient social capital in the country to put the idea together and see it through.
- (iii) It was a win-win situation for the Philippine government, private sector, and poor communities. The government obtained funds at a lower effective rate than the prevailing rate for equivalent securities. The private sector collected standard fees and commissions for providing their professional services in these financial transactions. And poor communities are now benefiting from the trust fund established.
- (iv) The cause prompting these efforts was one that many in the country – and from all sectors – could feel was becoming an increasingly urgent issue requiring action. In 2000, approximately 34 percent of the population, or 26.5 million people, were living below the poverty line in the Philippines.

In considering the outcry that this case sparked, I would argue that this was actually a pioneering effort. As Sylvia Mayuga wrote in 2002 in her commentary for *The Philippine Inquirer* (the most widely read national newspaper), in response to criticisms waged, “How NGOs began “engaging the capital market” with the same vigor that they have engaged Right, Left and Center is . . . an essential part of a story future Filipinos will surely call a milestone.”

## Endnotes

- <sup>1</sup> National Statistical Coordination Board (Philippines) (2000). [www.nscb.gov.ph](http://www.nscb.gov.ph).
- <sup>2</sup> The Association of Foundations and The Synergos Institute (2000). *Foundation Directory: The Philippines*. Manila: Association of Foundations.
- <sup>3</sup> *Venture for Fund Raising* (2001). *Investing in Ourselves: Giving and Fund Raising in the Philippines*. Manila: Venture for Fund Raising.
- <sup>4</sup> With contributions from Fely Rixhon, Executive Director, Consuelo Foundation, Philippines.
- <sup>5</sup> Consuelo staff applies a set of criteria to potential partners to evaluate whether or not a partnership with the foundation will be an appropriate input to address the issue at stake.
- <sup>6</sup> Alger asked the foundation “to prevent and ameliorate abuse and exploitation of children and woman, to treat the problems arising from or connected with homelessness, to develop income-generating skills in people so that they become self-sufficient, to assist the poor in learning to help themselves, and to relieve the suffering of those who are physically or emotionally sick.”
- <sup>7</sup> With contributions from Enrico Garde, former Executive Director of the Peace and Equity Foundation, and Marissa Camacho-Reyes, Chairperson of CODE-NGO
- <sup>8</sup> At that time in 2001 the exchange rate was US \$1 = PHP 50.
- <sup>9</sup> At that time in 2003 the exchange rate was US \$1 = PHP 55.



## SOUTH AFRICA

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Dugan Fraser

### REGIONAL OVERVIEW

#### *Introduction*

South Africa has a population of 40 million people and is a diverse and exciting society. As a young democracy, it has yet to shake off the apartheid legacy of inequity, violence and exclusion despite the fact that it has been nearly ten years since it made its remarkable political transition. Race continues to play a determinant role in the society with most black people experiencing lives of acute hardship and poverty. A small black elite has successfully managed to accumulate significant personal wealth but this is highly concentrated and most ordinary people still find it difficult to participate in economic activities in any real way.

South Africa recognizes 11 official languages (although more are spoken) and this is an indication of how seriously diversity is regarded in the country. Transformation and development are key concepts in the society and many government programmes are structured around supporting these objectives. Public funds are increasingly targeted towards socially oriented programmes but have not yet had the intended effects, often as a result of inexperience and an organizational culture that is resistant to progressive efforts.

#### *Strategic Philanthropy in South Africa*

During apartheid, civil society in South Africa was distinctively highly politicized and organized, successfully drawing a wide range of people in to oppose the state and implement alternatives. Civil society during this period comprised:

- community based organizations (CBOs) - usually membership based and seen as important representatives of disadvantaged communities
- non-governmental organizations (NGOs) - more sophisticated, formal structures better resourced than CBOs and usually organized around providing development-related services and
- The traditional welfare sector - comprising charities and similar organizations.

Philanthropy during this period was forced to support activities that were not controversial, such as feeding schemes and traditionally welfarist projects. Addressing more fundamental issues inevitably led to politics and had the potential to lead to conflict with the authorities.

After democratization, civil society became markedly less influential and important for a number of reasons. Skilled and experienced leaders were drawn into government where they were offered opportunities to participate in supporting change while many international donors shifted from supporting communities to supporting the state, leaving many civil society organizations without access to resources. In other cases, civil society organizations have not been able to adapt to the new environment and have become increasingly irrelevant.

More recently civil society has started to become slightly more active, often using new strategies and approaches. Community Foundations, for example, are a new type of civil society organization that combine the legitimacy and credibility of CBOs with a solid financial and technical base by putting secure (albeit relatively modest) endowment funds in place for use in community development in the long term.

In other instances, partnerships with government and local authorities and participation in income generating activities have provided organizations with a renewed vigor. Lobbying and advocacy has become an important activity for many civil society organizations. Opposition to government policy (for example in its management of the AIDS epidemic and its restructuring of state assets) has also energized the sector to some degree, providing some structures with a clear rallying point and programme of action.

Recently described in the government's "10 Year Review" as "vigorous but shallow," civil society still plays an important role in meeting the needs of marginalized disadvantaged people and in articulating their perspectives, but it often goes unrecognized.

Civil society organizations often operate at a very modest level, helping poor communities gain access to resources to meet their basic needs. They often involve faith-based or traditional organizations that are overlooked and which have their importance underestimated.

Philanthropists in South Africa have also changed: in many instances corporate philanthropy is undertaken by specially created partnership institutions that address specific issues, such as the arts (Business and Arts South Africa) or crime (Business against Crime). Generally, a wider scope of issues is addressed and there is often a more varied, dynamic approach to the kinds of projects that are supported.

Despite having the Gross National Product of a middle-level economy, South Africa remains characterized by serious poverty, especially in the countryside. Even though it has grown at a respectable rate of around 3% for the past few years, much of this has been in high-tech, low labor-absorbing sectors and joblessness remains a major problem especially in rural areas and townships. Gender discrimination, crime and violence and the world's highest HIV infection rate (at around 24% of the population) are some of the most pressing challenges facing the country.

### ***Strategic philanthropy in support of social development***

In order to analyze strategic philanthropy it is important to understand what the concept means in a South African context. Strategic philanthropy can be regarded as operating purposefully and systematically in order to achieve clearly defined philanthropic goals.

In the US and elsewhere, strategic philanthropy has also become a fashionable way of describing corporate social investment and is in many instances presented as a business tool. Proponents of this approach see employee volunteerism and in-kind donations as part of an overall strategy that seeks to link a company in consumers' minds with well-intentioned, socially oriented initiatives. The approach is somewhat different in South Africa, and is not so clearly linked to philanthropists' business interests.

Strategic philanthropy in South Africa is best understood from a historical perspective. Previously, addressing the most obvious impact of apartheid and its ravaging effects on communities provided a clear arena for philanthropy, although as noted above, the challenge was to provide support to people and organizations without incurring the wrath of the apartheid state. Significant official energy was devoted to ensuring that certain political structures did not receive funding and this has created a tradition in South Africa where the receiving of funds is far more regulated than the giving.

As a result, South African philanthropy is diverse, uncoordinated and largely unregulated, and there is limited knowledge of how much is spent, by whom or on what. In recent years, however, a number of initiatives have started making concerted research efforts and a number of long term studies are currently under way. The findings from these research projects will become available soon.

The South African Non-Profit Sector Study recently released a report that estimates that the total operating expenditure of all of South Africa's non-profit organizations was R9,3 billion in 1998, representing 1.2% of the year's GDP, however, these funds would have come from a broad range of sources, including governmental, so this is not a good indication of the scale of philanthropic giving. More detailed figures on the number and scale of philanthropic giving are not presently available.

One of the drivers of research and the development in philanthropy is the South African Grantmakers' Association (SAGA), a representative structure that works to enhance grant-making in the country and improve its effectiveness. SAGA distinguishes between:

- Corporate social investment,
- Government programmes,
- Grant-making NGOs and
- Trusts and Foundations.

SAGA notes that the distinction between them is often unclear. For example, many corporate grant-making structures use the term "Foundation" or "Trust" in their name, making accurate categorization difficult.

Best practice in strategic philanthropy is probably that which seeks to operate developmentally. This is strategic philanthropy that is:

- Oriented toward improving the quality of life of poor people
- Responding to clearly articulated needs, preferably identified by the people targeted through the intervention
- Targeted at achieving long term, specific impacts that can be measured, analyzed and replicated in other situations, and
- Provided in an integrated, holistic fashion.

South Africa is complex and challenging, affected by diverse and contradictory influences. It has many of the features of sophisticated and developed economies while

also being characterized by the poverty and underdevelopment often found in the South. Crime and security, HIV/AIDS and income generation for marginalized people are generally seen as the principle development challenges facing the country.

A long history of poor governance and corruption has created a context in which moral regeneration is prioritized by many groups in society, while improving the quality of public service delivery and creating an environment that facilitates freer economic activity are also recognized as important developmental areas.

In South Africa, efforts to link commodities and brands with a socially responsible or progressive image in the marketplace have been a feature of advertising and marketing strategies for some time, but crass and insensitive claims to good corporate citizenship run the risk of alienating or irritating consumers (or even worse of patronizing them) and are thus usually made with caution.

### ***A Pro-Poor approach***

Characteristic of strategic philanthropy in South Africa is a desire to focus on areas that will impact positively on the lives of the poor, without becoming irrelevant or de-linking from the mainstream. Issues addressed thus need to have wide appeal but special significance for the poor.

For example, both the NMCF and the Liberty Foundation concern themselves with issues directly relating to young people, in the form of children's rights and education respectively, while the Liberty Foundation also targets healthcare. Both of these sectors have a broad, strong appeal that can be presented as having broad social benefits, while directly meeting the needs of the poor particularly.

Balancing the competing needs of the society's most vulnerable groups while ensuring a programme has broad based appeal that integrates with a broader strategy is a delicate operation. South African philanthropists are gradually becoming more skilled and effective at getting the balance right.

### ***Responding to Needs***

Historically, operating developmentally was seen as having to be response based, so that applications would be received and assessed based on their compliance to certain criteria.

As the need to be creative and imaginative became clearer, this is changing. Both the case studies presented here have chosen a niche area and have made institutional and strategic shifts to become skilled in that particular area and increase the impact of their efforts. This allows them to become proactive and to play a bigger role in setting the public agenda and hopefully increasing their chances of success.

The decision of what area should be focused on is best based on experience. It seems that the choices should only be made once a solid track record has been achieved. The case of the Liberty Foundation shows how it has over the years become increasingly specialized and targeted as it has gathered experience and learnt what it does well.

### ***Impact Measurement and Best Practice Promotion***

Traditionally corporate donors and other philanthropic entities were able to operate somewhat opaquely, with limited attention paid to their abilities to measure outcomes or to substantiate their claims of success. More recently, a general concern with assessing

impact has come to characterize the development sector as a whole and this has affected philanthropic organizations too.

Measuring impact, documenting experiences and learning from the lessons of others so that successful programs can be replicated and scaled up has become more of an issue. This is leading to an appropriate increase in the focus on monitoring and evaluation in many different situations.

### ***Integrated, Holistic Delivery on a Partnership Basis***

Compared to the massive investment of funds into social programs, South Africa's efforts to roll back poverty are having a limited and rather disappointing result. In many instances this is the result of dispersed and poorly coordinated programs operating independently of each other, as well as a failure to take account of the full range of needs in a particular context. As a result, there is an increased focus on seeking synergy between development partners and their programs, so that more can be achieved using the same resources.

This is a welcome development: historically governmental, corporate and state sources, even since the transition to democracy, have not collaborated effectively, and indeed, a high degree of tension and mistrust has characterized relations.

The Mindset initiative led by the Liberty Foundation is a good example of cooperation and collaboration between different players from diverse sectors, and has delivered a high quality result that draws explicitly on the strengths of the various partners. Future initiatives in strategic philanthropy should take this as an example of best practice and explore and unpack the relationships and processes that made it possible.

### ***Securing a Strong Financial Base***

An important feature in South African philanthropy is the desire to secure an independent financial base of the sort provided by a substantial endowment or a guaranteed income stream. While not every philanthropic institution is fortunate enough to be able to secure such a base, it is widely recognized as an important step in the process to becoming able to be independent and to plan a long-term future role.

Relying on corporate support, international donors and even government is widely regarded as creating an undesirable element of dependency and reliance that prevents philanthropic organizations from identifying long term goals and working towards them systematically. A major reason for this is the need to constantly adapt plans to donors' and sponsors' priorities.

The Nelson Mandela Children's Fund has worked hard to secure an impressive endowment and is now well placed to implement the strategic decisions it has made to become more oriented towards making an impact on the field of children's rights and policy and practices around young people and children. The Liberty Foundation by contrast has no need to secure such an endowment since its future income is guaranteed as a set proportion of Liberty Life's post-tax earnings.

### ***Defining a Niche***

A growing trend amongst philanthropic organizations that seek to operate strategically is the decision to focus on a particular area rather than to try to meet every need.

While there was a time in South Africa when the provision of small grants to a wide range of organizations was appropriate, this is no longer the case, especially for agencies with limited financial and human resources.

This drive to focus programs and to expect more clearly defined results allows professionalism and coherence, but does risk constraining the institutions in the long term if their choice of niche turns out not to have been a wise one. It would appear that the key lies in drawing on their own experiences to make specific choices but to also allow flexibility and room to maneuver in the long term.

It also seems important to choose an area that has a strong emotional appeal (like children or education), since this is likely to be enduring and to help with long-term relevance and survival.

### ***Technology***

Strategic philanthropy in South Africa is becoming increasingly technologically oriented and reliant. While the Mindset Initiative is an extreme example of this, in many other instances knowledge management and technological enablers of performance improvement are increasingly considered as key strategic issues.

On-line applications and communication by email are widespread and common, and are valuable in the instances where access to infrastructure and hardware has been addressed. Unfortunately in many instances people do not have the technological access required and are once again excluded from a range of development opportunities by their poverty.

### ***Conclusion***

South Africa has traditionally offered philanthropists few incentives, such as tax relief. Tax laws were very strictly framed to channel such support almost exclusively to educational initiatives. Recent legislation has widened the definition so that non-profit development institutions also qualify, although the requirements remain very stringent. However it is likely that new, creative projects will start to be supported, which bodes well generally.

New types of support are also emerging: for example, the Charities Aid Foundation (South Africa) has promoted the Non-Profit Partnership that has developed schemes to support the sector generally and is also starting to promote workplace giving programmes.

The challenges facing South African society will remain, so the opportunities for philanthropy that is thoughtful, strategic and impactful seems likely to grow as well. Based on its track record, it seems likely that strategic philanthropy will respond appropriately.

South African society has changed dramatically: freedom has created space for new and exciting initiatives. In many instances these have been supported and made possible by strategic philanthropy that has facilitated and enabled a blossoming South African society. Grinding poverty remains a reality but with the support of philanthropists and others, South African society has developed many positive features, the most important of which is a new respect for human rights and the dignity of ordinary people.

Many strategic philanthropists have responded energetically to the challenge to operate developmentally and are successfully balancing their own strategic objectives with those of the poor. As a society undergoing rapid and fundamental changes, strategic philanthropy plays an important role and is building up a solid record of working flexibly and pragmatically.

## CASE ONE

### The Liberty Foundation

#### *Origins of the Foundation*

Liberty Life was founded during the 1960s by South African entrepreneur Donald Gordon and has since grown into what it calls “a highly focused, entrepreneurial group of financial services companies that is committed to creating and unlocking wealth for its shareholders and policyholders.” The group is a South African success story that has managed to prosper even in recent years, despite the global economic slowdown.

The company’s successes enabled the creation of a charitable foundation in 1971, originally called the Liberty Life Community Growth Fund. Funded from post-tax profits (set in 1996 as 1,5% of after tax income) the Fund, now the Foundation, set out to support development projects as a corporate response to the high levels of need and deprivation found in South Africa.

The Foundation’s original focus was strongly welfare oriented and sought to address the situation of vulnerable groups within society, particularly the aged, disabled and children in need. This was mainly a result of the very clear and visible need in the sectors, so the support was to have a visible impact and be supported by Liberty Life’s stakeholders. A desire to avoid coming into conflict with the apartheid government of the day by choosing a relatively non-political sector was possibly another factor in the decision.

Since the creation of the Fund, which has since been renamed the Liberty Foundation, a companion institution, the Donald Gordon Foundation was created to address related but separate concerns. As the Liberty Foundation came to focus on a narrower set of issues, the Donald Gordon Foundation has been able to provide support to worthy initiatives that have not met the Liberty Foundation’s stringent criteria.

The Liberty Foundation has made a very conscious effort to grow and change according to the context in which it operates. This was a result of its enlightened corporate leadership’s ongoing strategic thinking. This has seen it make concerted efforts to operate more strategically and mindfully as the South African situation changed. During the early 1980s, in response to changes in the South African social landscape, the Foundation moved away from general welfare support to focus more clearly on educational initiatives of various sorts. Education was seen as offering the best returns on social investments, since the state at the time was investing so little in the area.

Later, during the 1990s, the fund provided extensive support to civil society organizations, even to some not involved in education, as it recognized the importance of the sector in supporting and promoting a peaceful transition to a democratic society. Risky and controversial at the time, the position taken by the Foundation was politically courageous and allowed support to be provided to many initiatives that would simply not have survived otherwise. Once again the reasons for its decision to play this role appear related to the nature of leadership in the institution.

Over its lifetime, the Foundation has taken a bold and visionary approach to its work, often funding initiatives that were unpopular with the apartheid government of the day and steadfastly adopting a perspective that was constructive and positive. During the early to mid-1990s, the Foundation became involved in corporate responses to the national political transition and provided extensive support to various different kinds of



bridge-building initiatives often enabling participation by representatives of groups who would otherwise have been excluded from important national and local processes.

Since South Africa's successful democratic transition, the Foundation has grappled with the need to undertake a major paradigm shift. It has, for example, recognized that it is no longer appropriate to provide black children with bursaries to study at private schools, when the democratic state provides free education to those who need it.

It has recognized that it is far more important to ensure that the education provided is useful and effective, and it has sought creative and innovative ways of doing this. This has required a sensitive and balanced approach: while working with the state, the Foundation has made it clear that it does not seek to provide things that should be provided by government, but rather aims to supplement and enhance what is available.

The Liberty Foundation has a continuing tradition of making difficult, visionary decisions that respond creatively and humanely to a rapidly changing context. This is a result of the fact that its Director, a son-in-law of the founder of Liberty Life, and his senior staff have been provided with space and support by its Board. The Board of Trustees is drawn from Liberty Life executives and other business leaders who share a relatively progressive perspective and this has ensured support from the institution's highest governance levels.

### ***Mission and Vision***

The Foundation supports social development initiatives that have a tangible and clear benefit to South Africans in need.

As a result of its changing and responsive nature, the mission and vision of the Foundation are not definitively stated but have adapted and changed along with the Foundation's operational strategies. Since 1990, the Liberty Foundation has invested more than R320 million in social development work throughout South Africa.

The Foundation has four main objectives:

- To provide funding for effective educational, social developmental and charitable endeavors;
- To promote individual empowerment and sustainable economic development;
- To encourage community organizations to harness their skills and expertise in order to generate economic activity that will create new jobs and build capacity, and;
- To identify strategic development opportunities and to help to make them achievable.

### ***Programmatic Approach***

The Liberty Foundation's budget in the preceding financial year was R24 million, a slight reduction on previous years but in keeping with its general expenditure record.

The Foundation has now made a strategic decision to narrow its focus and to concentrate all its efforts on two strategic areas, namely health and education. These were identified as being the areas of greatest need and in which the Foundation's involvement would be most likely to have a sustained positive impact. The Foundation also has a solid body of experience in these sectors and seeks to draw on this to build a coherent and effective program for the future.

The decision to make this shift is the result of a strong desire by the Foundation's leadership to consolidate and focus its energies in order to increase its impact. The sectors



chosen are seriously underdeveloped and have been provided with little in the way of creative interventions. They are also areas in which the Foundation believes its resources can make the greatest visible impact by playing a catalytic and leveraging role.

In partnership with a number of other donors (including the Nelson Mandela Foundation), the Foundation has supported and facilitated the launch of a very exciting and innovative initiative, the Mindset Network. Mindset is a new R225 million multimedia television network launched at the time as Nelson Mandela's 85<sup>th</sup> Birthday, and presented to him as a birthday gift: health and education are long-standing concerns of the former South African president and these are the areas addressed by the channels flighted on the network.

The network's first channel, called Activate, targets learners in the final three years of school and focuses on English, Science and Mathematics. The approach includes the use of satellite broadcast television, print supplements in the country's major Sunday newspaper and the provision of dynamic and comprehensive support on the Internet.

The integrated and comprehensive approach taken in delivering the learning resources enhances its chances of overall success and creates a number of different ways through which learners can be supported. The supporting website is experiential and interactive, and offers support of a very high standard that can be accessed by learners as well as teachers. Teachers are also supported in developing lessons and lessons plans as well as being directed to links that provide supporting resources.

The initiative also provides equipment, training and support for schools that need it to be able to use the content properly. Kits include a television, a satellite dish, a decoder and a video recorder, while a generator can also be provided to schools without electricity. The content is provided free of charge and the hardware and teacher training can also be provided to economically disadvantaged schools at no cost to them. Activate has already been piloted and tested in 300 schools and will be rolled out to 1,000 schools and 800,000 homes before the end of 2003.

A health channel will be launched later this month and will focus on HIV/AIDS, looking at issues such as voluntary testing and counseling, effective therapy delivery and other issues relevant to people infected and affected by the disease. The channel will be beamed into 7000 clinics and hospitals around South Africa.

The channel will provide basic information and knowledge in the appropriate languages so that viewers will be better placed to absorb and use what is presented. Future plans include supporting the extension of internet services to clinics receiving the health channel and, for example, ensuring that patient data is properly stored and chat facilities are used to put patients and health care professionals in touch with other to provide support as they need it.

The creation of the Network has required the Foundation to direct all its resources to this project, and has meant that it has had to reduce and in most cases conclude, its involvement in other areas. This has been a difficult decision to make, but the Foundation has taken the position that it needs to harness its limited resources for maximum impact. The alternative is to spread itself thinly over a number of different areas without achieving sustained impact in any of them.

An important component of the new programme is an emphasis on monitoring and evaluation. Previously this was undertaken at a relatively basic level, without a conscious effort to assess impact on a sustained basis. The emphasis was essentially on ensuring that funds were used for the activities for which they were provided.

The new initiative is much clearer on the need for effective monitoring and evaluation and has a highly developed strategy in this regard. This includes baseline and longitudinal

studies in pre-selected pilot sites as well as other innovative techniques made possible through the technology. Given the nature of the new programme, which is accessible to anyone who wishes to use it, it has been important to identify partners for the monitoring programme and although some participants have been identified, more is still to be done in this area.

### ***Conclusions***

The Liberty Foundation sees the biggest challenge facing it as the need to keep responding creatively and constructively to the changing social context.

The Foundation has identified the need to respond to its internal stakeholders – its shareholders, its policyholders and its staff and customers – in ways that are consistent with what they see as social priorities.

Ensuring that the projects it has started become independent is also seen by the Foundation as an important challenge for the future. Dependency on the Foundation is seen as a least desirable outcome and the Foundation is committed to providing resources to projects that will become sustainable in the future.

In many instances this will be done through its companion institutions, since the Liberty Foundation is committed to supporting the Mindset Network in the medium to long term, and this will consume most of its grant making capacity for the coming years.

Liberty Foundation is fortunate in that it is part of broader set of institutions that are able to respond to issues and pressing needs that fall outside the Foundation's scope. This has enabled it to become strategically more focused and to dedicate its resources to a particular area in which it feels it can have a tangible and sustained impact.

Distinctive of the Liberty Foundation has been its ability to shift and change as the South African situation has developed. Its effort to operate responsively and creatively is possibly its most valuable practice that other corporate Foundations should seek to replicate.

Focusing on clearly defined sectors and being prepared to take calculated and cautious risks is another practice historically practiced by the Foundation. This is because its operational staff members have always received extensive support from a Board that is made up of members with a shared view of the South African context and the role of the Foundation within it.

Liberty Foundation has played an important role in the South African story by responding creatively and thoughtfully to social and political changes and by being prepared to make strategic and policy shifts as required. Energetic leadership, a supportive governance structure and a clear commitment to making a visible impact allow the Foundation to play its important role and to contribute to strategic philanthropy with a particularly South African approach.

## **CASE TWO**

### **Nelson Mandela Children's Fund**

#### ***Origins of the Fund***

Former South African President Nelson Mandela is globally recognized as a great and inspiring statesman and leader. He is widely recognized for his interest in vulnerable and marginalized people and it was his concern for the situation facing poor South African children that led him to establish the Nelson Mandela Children's Fund in 1994.

Mandela has displayed outstanding leadership in his role as Founder and Chairperson of the Fund. He contributed a third of his Presidential salary to the Fund and has provided sustained and committed support since it was founded.

Initially structured as a traditional grantmaker providing funds to diverse development initiatives, the Fund is a registered Trust with a Board of Trustees made up of very high profile, prominent and influential South Africans. It has its offices in Johannesburg where it employs 24 people and operates nationally, providing grants to organizations and projects in response to applications received. The Fund also operates offices in Britain, the United States, Canada, the Netherlands, France and Australia, from which funds are raised. The Fund's international offices are also intended to play a strategic role in the promotion of children's rights in the future.

The Fund's target beneficiaries are children and youth under 22 years of age from impoverished backgrounds. It seeks to work with development organizations, government, the private sector and others on a partnership basis. The Fund is guided by five principles and values:

- Partners should seek to eradicate and not just ameliorate poverty
- Partners should implement integrated and holistic approaches that recognise that children are important members of families and communities.
- Target group members should be involved in programme and project planning and implementation and should be empowered to participate meaningfully in decision making
- Partners should facilitate change and enhance the rights of children to reach their full potential
- Partners should promote best practice, act with professionalism and measure the impact of their work.

### ***Mission and Vision***

Vision:

The Nelson Mandela Children's Fund will nurture, motivate, and care for the future of children and youth.

Mission:

To support organizations implementing programs and projects that empower children and youth from impoverished backgrounds to improve the quality of their lives. The NMCF places emphasis on creative, innovative, and participatory initiatives that have potential to change the ways in which society responds to children and youth.

### ***Programmatic Approach***

In 2002 the Fund made 106 grants amounting to R25.8 million, an increase of R6.7 million from the previous year. By the end of the 2002 financial year the Fund had distributed a total of just under R100 million in its seven year life, which is a major achievement.

In 2001 the Fund calculated its costs as 10.5% of grants made and 7.4% of capital raised. In 2002 the Fund calculated its costs at 10.8% and fund raising at 9.3%.

The Fund prioritises poorer provinces and, for example, has ensured that Limpopo Province and Kwa Zulu Natal (provinces with substantial poverty problems)

have beneficiaries in nearly all the Fund's programs. The Eastern Cape is also a priority province for the Fund.

Applications for support from the Fund are assessed in terms of their relevance, the level of community participation and the intended impact.

The work of the Fund is structured around a number of distinct programs. These are as follows:

- The Early Childhood Care and Development Program gives mothers the skills to be active participants in the education of their children. With the help of home based education, mothers are taught ways to stimulate their children and encourage learning. The program supplements pre-schools and other learning interventions.
- The Leadership and Excellence Program encourages children and youth to aspire to levels of excellence in all spheres and to stimulate leadership that can respond to national and global challenges. This is done by building the capacity of NGOs, promoting volunteerism and supporting the development of talent and skills in arts and culture.
- The Well Being of Children Program aims to promote innovative and community based responses to children in trauma and in need of protection. It supports initiatives that undertake family and community oriented programs that address child abuse and other forms of trauma in order to reduce levels of vulnerability.
- The Children with Disabilities Program promotes the integration of children and young people with disabilities into broader society and encourages initiatives that enhance and emphasize the abilities of disabled children. Support is provided to educational, sports and cultural projects that improve education, promote self-esteem and that advocate for improved access to public facilities for disabled children.
- The Goelama Program is a new area being piloted that aims to create sustainable community based models of care and support for orphans and children affected by HIV/AIDS. It supports community initiatives to plan, mobilize resources and implement support and care. It also supports small business development initiatives by working in partnership with micro-finance institutions. The program also has an advocacy component that seeks to promote policies and procedures that impact on the well being of orphans and vulnerable children.

Last year the Fund's Board made a decision to shift from its original charitable grant making role to becoming a development catalyst for development and community based initiatives. This shift includes efforts by the Fund to become more programmatic and to monitor and evaluate its work more systematically. The decision to shift was apparently based on findings from a comprehensive evaluation that clearly showed that the Fund would achieve greater impact if it focused on providing targeted and sustained support to fewer strategic areas.

The Fund's monitoring and evaluation processes had previously consistently highlighted the difficulty associated with making a sustained impact using one-off small grants. Driven by senior staff, the shift in emphasis has been supported by the Board and has already started to be implemented. The Fund's energetic and proactive response to its evaluation is encouraging and should be noted as a good practice.

The Fund recognizes that while its resources are significant, they alone are not sufficient to change the quality of South African children's lives. Using the Fund's resources to

achieve a sustained impact will require careful selection of the areas in which to be active and the kinds of activities to be supported.

As part of its shift to playing a more developmental role, the Fund is targeting the area of national policy and practice regarding children and young people. It intends to use its experience in funding practical initiatives to inform the development of reforms and improvements that will have a meaningful impact. Ultimately the Fund intends playing a leading role in the area of children's rights, including policy and advocacy as well as research and development.

Monitoring and evaluation is seen by the Fund as an important element of its work. It has an ongoing programme focusing on monitoring and evaluation although its analysis is not particularly strategic and is recognized by the Fund as needing improvement. Long-standing difficulties in monitoring the effects of small grants have forced the Fund to reconsider its strategy and it is currently working at developing a new approach that will assist it in measuring and assessing its new programme.

### *Conclusions*

The Fund has traditionally raised and disbursed funds but has made a strategic decision to secure an endowment that will enable it to operate independently without having to be constantly investing resources in raising funds. The insecurity and vulnerability associated with having to raise funds constantly was seen to undermine the ability of the Fund to play a long term, strategic role, and having a secure endowment will allow it to plan for the future in a far more systematic and considered fashion. The Fund intends playing the kind of philanthropic role in its own particular niche that agencies like the Ford and Mott Foundations have traditionally played in theirs.

In terms of the difficult task of raising capital for its endowment, the Fund has succeeded admirably: it has already successfully raised R200 million of its target of R250 million, and seems likely to raise the remainder fairly soon. The Mott Foundation recently made a US\$2 million contribution to the endowment fund.

Nelson Mandela's continued support has provided extremely effective and valuable, although the Fund's management has also clearly responded well to the challenge. Its success in securing such a substantial endowment is unusual in the South African context and does seem to have built very effectively on the unique and special appeal of the Fund's founder.

The Fund also faces a number of major challenges in terms of its ability to make its intended shift to becoming a development agency. Building its own capacity requires that the Fund builds its staff's skills and dynamic management and leadership also need to be in place. The Fund is committed to institutional development and is putting measures in place so that it will be able to meet the demands of the future. Improving its monitoring and evaluation programme is another challenge for the Fund.

The Fund is looking into the development of a user-friendly knowledge management system that draws from the experiences of its projects extract policy and practice insights. This will ensure that the lessons learned from the Fund's program; the system will also help to are captured and recorded and can be used for advocacy and other purposes.

Documenting experiences, identifying best practice and extracting lessons for others are new areas of activity that will increasingly occupy management and staff of the Fund. Improved knowledge management and best practice identification and promotion will allow the Fund to increase its policy impact as well as assist with ensuring that projects have better chances of achieving their objectives.

Finding people with the necessary skills and experience is another challenge for the Fund, particularly in a context where development skills are scarce and greatly sought after especially by government. The Fund expects recruitment and human resource development to continue to be challenges for the future, especially once the Fund has fully and successfully implemented its strategic shift.

The Fund has also successfully drawn together a very influential Board that offers special access to influential decision makers in South African society. This innovative use of a special leader's unique ability to gain access to powerful people is a creative and constructive practice that benefits poor children throughout South Africa.

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Paiboon Wattanasiritham

### **Introduction**

“Philanthropy” is broadly defined as a system of “giving” for the common good. “Strategic philanthropy” is taken to mean philanthropy with the following characteristics:

- being innovative and/or creative
- leading to results with significant impact
- having potential for further growth and development.

Philanthropy in Thailand has evolved over the centuries. It is now as diverse as other countries. As a sector, it is growing and becoming more and more significant for Thai society; and innovations and creative developments have also taken place.

This paper will briefly describe an overview of philanthropy in Thailand, then describe two distinct cases of “philanthropic” innovations, and end with some observations and recommendations.

### **An Overview of Philanthropy in Thailand<sup>1</sup>**

#### ***The Culture of Giving***

Philanthropic giving has a long tradition in Thailand, based largely on the culture of fraternity and sense of community on the one hand, and religious beliefs and principles on the other. Some 95% of Thailand’s population are Buddhists, and Buddhism has a strong influence on Thai culture and behaviors.

Thai communities, especially in rural areas, are typically structured around Buddhist temples. The temple has become the locus for philanthropy both in terms of giving and receiving. As community members give to temples, the temples often return a portion of the donation to the community for various social welfare purposes. In modern times, much of the donations to temples also come from outside local communities, i.e., from people

and organizations that, in one way or another, have connections with the temples even if they do not reside in the immediate community.

Thai people in general, whatever their religious beliefs, have a tradition of giving to temples, monks and other religion-based activities. A national census in 1996 showed that, of the 16,428,400 households in Thailand, an average of 742 baht per household was given to religion, or approximately 12.2 billion baht a year.

### *Major Forms and Institutions of Giving*

**“Individual giving”** constitutes a large part of giving in Thailand due mainly to the culture of giving mentioned above. In addition to religious based giving, people also give in response to public disasters and special public events. Giving to the king and other royal family members to support projects and activities sponsored by the royal family are also popular and substantial. This last type of giving is a special feature of Thai philanthropy that generally does not exist in other countries.

**“Corporate giving”** is by far less important than individual giving. Some corporations set up their own foundations or engage in philanthropy through their public relations departments. However, most corporations in Thailand have yet to address philanthropy in a systematic and proactive manner.

**“Foundations”** and **“Associations”** are the legally recognized form for engaging in non-profit or public-benefit activities. While a large number does exist, most foundations and associations are quite small in terms of assets, scope of activities, staff members and volunteers, operating budgets, etc. A very small number are professionally managed and almost all foundations and associations are “operating” rather than “grant-making;” while some combine the two. Very few foundations or associations have substantial “endowment funds.” Finally, almost all foundations and associations have to fundraise or engage in income generating activities in order to fulfill the organization’s objectives.

**“Community Foundations”** as defined in Western countries do not yet exist in Thailand although there are a number of secular “local-based foundations” and “community giving institutions.” Attempts are being made, however, to promote the establishment of full-fledged “community foundations” at the provincial level. The US-based Synergos Institute, the Kenan Institute Asia (located in Bangkok, Thailand), and the Thai Health Promotion Foundation (a public body funded by a percentage of taxes on tobacco and alcohol) are among the leading organizations that support these efforts.

It is in the context of “community giving” that innovative and creative developments have taken place in Thailand; a case study of this will be explored in greater depth later in the chapter.

### *Legal and Other Environments*

In general, the legal and administrative environments for philanthropic giving and philanthropic institutions in Thailand are still rather outmoded and not adequately supportive. At the political level, the government has not shown significant support although a law on the provision of public welfare recently passed by Parliament contains one section on “public-benefit organizations” that is encouraging. Support for philanthropy and civil society is also more forthcoming at the operating levels of government, i.e., from government departments and other public-sector organizations.

People in general appreciate and practice “giving” in the traditional or conventional sense. There is, however, little understanding of “philanthropy” or “civil society” as a



sector, let alone the understanding of its importance in “social development.” Most people are still not aware of the positive role civil society or philanthropy plays in national or social development. While social service by philanthropic or civil society organizations are well recognized, more militant non-governmental (or civil society) organizations (NGO’s or CSO’s) appear to have captured media attention and coverage; thus creating a popular notion of NGO’s or CSO’s as troublemakers, agitators against the establishment, or even agents of foreign interest. Positive images towards service NGO’s, and to a certain extent development NGO’s, appear to be overshadowed and tarnished by the mistrust of and cynicism for more militant NGO’s.

### ***Resource Mobilization<sup>2</sup>***

While Thai people are generally inclined to give, resource mobilization for philanthropic and non-profit organizations is not an easy task. Tax exemption status for non-profit organizations is still difficult to attain. Of the 30,000 or so foundations and associations, only about 500 enjoy this privilege. Even among these organizations, however, deductibility is not substantial compared to Western countries such as the United States.

Awareness of the need to donate to conventional, mainstream, elite-based organizations like the Red Cross or royal charities and foundations is high. Consequently, a steady stream of donations go to such organizations; and these organizations are also viewed as more “legitimate.” But the same awareness does not exist for development NGO’s or service delivery nonprofits. As many of these organizations rely substantially on grants from foreign donors, they are viewed with a certain level of mistrust and lack credibility among some members of the public.

Although many CSO’s or philanthropic organizations strongly emphasize being self-reliant for resource mobilization and sustainability of funding, their capacity to fund raise is still rather limited and notable exceptions are few.

### **Introduction to the Case Study**

Two types of “philanthropic organizations” are chosen as case studies and examples of innovations and strategic philanthropy in Thailand. The first one (the Population and Community Development Association) is an “operating foundation” and has a distinctively innovative and strategic style of management. The second type (community self-help organizations), is itself a “social innovation” that is also “strategic” at the societal level. In both cases, these “philanthropic organizations” share common characteristics of “strategic philanthropy” in that:

- a) they have been innovative or creative at the operating level or societal level, or both,
- b) their existence and operations have a significant impact on their sector and/or on society,
- c) they represent the type of “philanthropy” that has the potential for further growth and development.

## **CASE ONE**

**The Population and Community Development Association (PDA): *A Philanthropic Organization with innovation and creativity***

### ***Background<sup>3</sup>***

The Population and Community Development Association (PDA) is popularly referred to as a “non-governmental organization” (NGO). However, since it “gives” to people and communities country-wide, it can also be described as a “philanthropic organization.” It engages in philanthropy and also draws philanthropic resources from people and organizations inside as well as outside of Thailand.

PDA was founded in 1974 as the Office of the Community Based Family Planning Services. Its original mission was to assist the government in handling the country’s rapid population growth, a factor considered to inhibit the country’s development.

Over time, however, the focus of PDA’s attention expanded to include activities to improve quality of life. PDA’s “guiding mission,” therefore, evolved to become one of “population and community development,” befitting the name that it chose when it was formally registered as an “association” in 1977.

PDA was created and chaired by Mr. Mechai Viravaidya, well-known in Thailand and abroad for his dynamic personality, endless creativity, and intellectual capacity. He was previously a cabinet minister, a Ramon Magsaysai Awardee, and is presently a member of the Senate.

PDA is headquartered in Bangkok with 17 development centers and branch offices in the North, Northeast, Central and Southern Regions of Thailand. In addition, it owns 14 commercial businesses that generate profits entirely to support the activities and objectives of PDA. In 2002 PDA’s budget was approximately 94 million baht.

From a small organization of 10 employees, PDA has grown into an organization of about 300 full-time staff -excluding daily and monthly paid workers and volunteers -at the end of June 2003. In addition, it has over 300 staff members operating the 14 business units that support PDA. Through the years, it has implemented 184 different projects that have become more and more diverse; presently, PDA’s 25 projects can be divided into eight categories as follows:

- 1) Family planning, health and HIV/AIDS prevention
- 2) “Thai Business Initiative in Rural Development” (TBIRD)
- 3) Water resources development and environmental conservation
- 4) Education
- 5) Democracy promotion
- 6) Information technology
- 7) Research and training
- 8) Consultancy

Interviews with senior executives revealed that PDA focused on these categories of projects through observations, analyses, and consultations concerning the most pressing issues in Thailand as well as abroad. Whatever appeared to be the crucial needs of society at the time, and if PDA had the opportunity and potential resources with which to satisfy those needs, PDA would quickly make a “strategic decision” to do so. Admittedly, Mr. Mechai’s creativity and dynamism, coupled with his marketing and managerial talents, also contributed significantly to what came to be PDA’s program of activities.

### ***Outcomes and Beneficiaries***

(1) The total number of beneficiaries from the family planning, health and HIV/AIDS prevention services is about 150,000 people throughout the country. An additional 100,000

people, mostly in the rural Northeastern region, benefited from the various development projects such as water resources development, income generation, and environmental conservation. Social improvement projects such as scholarships, democracy promotion and environmental training have benefited about 20,000 people.

However, PDA senior executives believed that the number of beneficiaries is not as important as the fact that PDA adopted a “strategic approach” by operating through communities and local volunteers, or the “community-based” approach, as opposed to “clinic-based” operations which were the standard practice by government organizations at the time. Subsequently, however, the Ministry of Public Health also adopted, on a large scale, the use of “local health volunteers” for its primary health care programs.

(2) Approximately 120 business entities in Thailand participate in the “Thai Business Initiative in Rural Development” (TBIRD). This program has provided employment to some 8,300 villagers and generated about 380 million baht per year in income.

This program is also noteworthy because of a joint venture company created to produce Nike shoes for export. A portion of the company’s profits are allocated to company workers. In addition, a pledge has been made to allocate more to the workers so that eventually the workers will own up to 30% of the company’s shares while PDA’s company (the joint venture partner) will own the other 30%, leaving the remaining 40% to the major partner, part of a large business conglomerate in Thailand.<sup>4</sup>

### ***Innovations and Strategic Elements***

PDA is “innovative” and “strategic” at both the organizational and national/societal level. Organizationally, PDA identifies its mission broadly as “population and community development.” It fulfills this mission with a number of “strategies,” notable among them being:

- Innovative fundraising methods
- Creative programming for critical societal issues
- Dynamic and inventive marketing and management practices

### **Innovative Fundraising Methods<sup>5</sup>**

PDA mobilizes funds from 5 major sources:

#### *(1) International organizations*

In the beginning, funds for PDA’s operations came mainly from international organizations, but this has significantly decreased over the years due to the fact that donors have diverted resources to other countries perceived as more “needy.”

#### *(2) Local Organizations*

Of particular importance is the involvement of business and government organizations in rural development through the “Thai Business Initiative in Rural Development” (TBIRD) program and the “Rural Industry Promotion” program. The TBIRD concept is to match rural needs for better business skills and marketing opportunities with the resources and talents of private companies. TBIRD takes advantage of the increasing interest of corporations to contribute to the country’s development while fostering the corporations’ public image. The private companies provide the funds, knowledge, and experience, while PDA acts as the intermediary, supplying the skills to plan and organize village level activities.

Linking private companies to rural development can take several forms. Some TBIRD companies provide resources to meet the basic needs of villagers in water, sanitation or other infrastructure. Other companies provide funds and technical expertise to improve income-generating activities of villagers in agriculture and cottage industries. Several TBIRD participants have even set up factories in the villages, producing shoes, textiles and jewelry for domestic and export markets, with PDA (through its business affiliate PDC) holding an equity stake in some of these ventures.

The Rural Industry Promotion Project was created to support philanthropic and private organizations in bringing business to rural areas. The plan was included in the Eighth National Economic and Social Development Plan which covered the period from 1997 to 2001. As a result, these projects received a significant sum of money from the Department of Industrial Promotion. In 2000, there were 65 projects and 60 factories receiving a total of 13.5 million baht.

### *(3) Cost-recovery Activities*

PDA also generates a portion of its “income” by charging at cost, or less, for the following services: family planning service, physical check-up service, education development and training service, research service, etc.

### *(4) Commercial Activities*

PDA has set up commercial companies whose businesses are related directly or indirectly to PDA’s activities and objectives. More importantly, these companies pledge their profits in support of PDA’s work, again either directly or indirectly. PDA sees this as a strategy for the organization to be financially strong, independent, and sustainable.

Presently, PDA has 14 independent companies. Most of them have been established by PDA’s development centers or branch offices with the specific purpose to use income from the companies to sustain the development centers or branch offices when external grants dry up.

PDA’s business activities can be divided into several categories: clinic, restaurant, resort, and factory for rent. At present, these 14 companies have a combined turnover of about 60 million baht per year. After taxes profits donated to PDA amount to about 10 million baht annually.

### *(5) Fund Raising Activities*

PDA established a small working unit responsible for fund raising both in and outside Thailand. Among the fund raising activities of this unit were selling Buddha amulets, setting donation boxes, organizing marathons, etc. To raise funds abroad, PDA has also established PDA in the US in order to facilitate donations from US citizens, although PDA has admitted that this arrangement has not been very effective.

## **Creative Programming for Critical Societal Issues**

PDA succeeded immensely in popularizing the use of contraceptives as a means of family planning and birth control. Thailand’s success in this area is, to a significant degree, due to PDA’s leading contribution. Having been successful in family planning, PDA went on to other aspects of social development, notably rural and community development. Again, it played a leading role in “community-based, integrated rural development,” with one of its “showpieces” being the “CRIBD” Center in Buriram Province.

PDA always thinks ahead; as the case of family planning above demonstrates, PDA was the first non-governmental organization to be actively engaged in a very substantial and extensive manner. When HIV/AIDS was first detected in Thailand, it was PDA who, more than anybody else, sounded the “alarm bell” and actively carried out public education and many preventive programs. Similar to family planning, Thailand’s success in dealing with HIV/AIDSs was due to PDA’s notable contribution. PDA’s demonstrated foresight and entrepreneurial qualities are among the ingredients that have made it an innovative and strategic organization.

### **Dynamic and Inventive Marketing and Management Practices**

From the beginning, PDA has been inventive, original and a “social pioneer” due to its founder and present chairperson, Mr. Mechai Viravaidhya. The combination of leadership, creativity and quality of PDA’s programs and management systems, and PDA’s largely unmatched marketing skills, has made PDA successful in mobilizing financial and other resources (policy support, volunteers, etc.) for its various programs and activities. PDA also had the foresight to be aware of long-term financial sustainability as well as operational independence. Indeed, PDA has played a leading role in being innovative and strategic. Its latest achievement were initiatives to undertake appropriate business ventures in support of social development work. Similar to its past initiatives, the business ventures is legally and operationally separate from PDA, while the profits (after taxes) are donated to PDA for its social development work. PDA sees this as an important way to achieve both financial sustainability and operational independence.

While PDA is managed by a very charismatic and dynamic leader, it also employs a capable and dedicated staff. Many senior staff members have been with PDA for a long time, reflecting a high degree of commitment and work satisfaction. The management style of PDA is participative, while encouraging initiatives, creativity and responsibility on the part of all levels of personnel.

### **Best Practices and Opportunities for Replication**

In terms of best practices and opportunities for possible replication or application, the following innovations and strategic initiatives are worth further study:

- “Community-based” approach to family planning and other primary health services, together with the widespread use of “local volunteers;”
- Preventive measures dealing with HIV/AIDSs;
- Community-based integrated rural development;
- Involving businesses and corporations in rural and community development projects (This is the so-called “TBIRD” Program or what PDA labels “the privatization of poverty reduction”);
- Undertaking appropriate business ventures where profits are transferred to the non-profit “parent” organization (PDA in this case) for social service or social development activities.

At the national or societal level, PDA has played a pioneering and leading role as a major civil society organization with significant impact on public policy formulation as well as implementation, most notably in the areas of family planning and HIV/AIDS prevention. Indeed, it is clear from this case study that the “Population and Community

Development Association,” or “PDA,” is a “strategic” philanthropic/civil society organization.

## CASE TWO

### *Community Self-Help Organizations: Providing Community Philanthropy in an Independent and Sustainable Manner*

#### *Background*

“Community self-help organizations” abound in Thailand. Of particular importance are “community (or grassroots) savings groups.” Since 1965 when the first grassroots savings group was created, there has been a growth of “grassroots savings groups” as shown in Table 1 (preliminary data collected in 2002):

TABLE 1. List of Grassroots Savings Groups, 2002.

| Type of Savings Groups             | Number (groups) | Members   | Savings (m.Baht) |
|------------------------------------|-----------------|-----------|------------------|
| 1. “Savings-for-production groups” | 32,775          | 3,640,849 | 6,714            |
| Credit unions                      | 807             | 400,000   | 2,500            |
| “Village banks”                    | 1,497           | 132,893   | 206              |
| “Trad-model” savings groups        | 383             | 96,107    | 254              |
| Other savings groups               | 3,541           | 351,763   | 517              |
| Total                              | 39,003          | 4,621,612 | 10,191           |

Source: Community Organizations Development Institute

These grassroots savings groups mobilize their “internal” resources through:

- Regular savings (generally small amounts at a time, e.g., 10–100 baht monthly)
- Surpluses generated by income (interest on loans, etc.) over expenses of the groups
- Occasional “fund raising” through various means (religious activities, organizing special events, etc.)

During the last few years, many grassroots savings groups have also joined together to form “networks” for various purposes including the creation and operation of “welfare” facilities, thus creating more avenues for internally generated resource mobilization.

Described below are two outstanding cases of community savings groups. One is at a subdistrict level, and relatively large, but composed of village-level sub-groups. The other is a provincial-level “collection” or “network” of village-based, relatively small savings groups. These savings groups are not “philanthropies” in the conventional sense. However, they do collect or mobilize “resources” from members of the community, principally in the form of “savings.” These savings in turn generate “surpluses” for the community organizations who then utilize a significant part of the surpluses for the benefit of community members as well as the community as a whole. Thus to a large extent, these community self-help organizations serve the same purposes as “community foundations.” It is therefore be correct to consider them, for all intents and purposes, as philanthropic organizations as well.

These two cases of community self-help groups are “strategic” in that:

- They represent an effective approach in mobilizing resources, principally within the communities, for the benefit as well as the welfare of the communities. It lessens their dependence on outside organizations and resources; and it also enhances their self-reliance and self-esteem.
- This model of grassroots community organizing can easily be adopted or applied in other parts of the country, thus creating a very significant impact. This is in fact occurring in Thailand as described at the beginning of this chapter. These two cases of community savings groups therefore, represent “strategic philanthropy” at the societal level as well.

***The “Klong Pia Savings Group:” internal resource mobilization for a local community<sup>6</sup>***

The people of Klong Pia Sub-district (Tambon) in Jana District, Songkhla Province, have been mobilizing internal resources for the well-being of their community through self-help “savings group” since 1980. Starting with 51 members and a savings of 2,850 baht, the savings group had, at the end of 2002:

- approximately 6,000 members (from almost all families in the sub-district)
- total savings of about 110 million baht.

Apart from its savings and credit services, the savings group has taken parts of its annual surplus of income over expenses to set up “welfare funds” for various purposes. The first five “welfare funds” are:

- 1) The Funeral Fund
- 2) The Medical Expense Fund
- 3) The Public Disaster Fund
- 4) The Educational Promotion Fund
- 5) The Learning Promotion Fund

The savings group has since expanded the facilities of its current “welfare funds” and established more “welfare funds.” It now has 14 “welfare funds,” with the additional 9 being:

- 1) The Special Education Fund
- 2) The Guest reception Fund
- 3) The Social Fund
- 4) The Maintenance and Electricity Fund
- 5) The Fund for the Specially Distressed
- 6) The Culture Promotion Fund
- 7) The Fund for the Unsupported and Distressed
- 8) The Community Business Management Fund
- 9) The Farmer’s Produce Support Fund

Although the group believes strongly in self-help and self-reliance (which is clearly proven by its outstanding achievements), it has also accepted various “support” from



outside organizations, but on the basis that there are no unacceptable “strings” attached. Indeed, the strength and achievements of the group (or the “Klong Pia Community,” since almost every family in the sub-district are members of the savings group), has allowed it to more easily receive various types of resources and support from outside organizations; this is due to the group’s established credibility and accountability.<sup>7</sup>

***The Trad Province Savings Groups: internal resource mobilization and the significant role of a Buddhist monk<sup>8</sup>***

A well known Buddhist monk adopted a similar self-help “savings group” model and established a number of savings groups throughout Trad Province. He started with two savings groups in 1990, and by the end of 2002, there were:

- 157 savings groups (in Trad Province, generally one savings group for one village)
- 47,197 members
- combined savings of 145 million baht
- combined “welfare funds” of 29 million baht

Apart from savings and credit facilities and “welfare” provisions, as in the case of the “Klong Pia Savings Group” in Songkhla Province, the Trad Province Savings Groups have extended their activities to include<sup>9</sup>:

- Supporting the conservation and protection of one of the largest mangrove forests in Thailand together with the other marine resources.
- Promoting the use of bio-fertilizers to reduce costs in agriculture as well as for improved health protection and agricultural production.
- Collective bargaining and “cooperative arrangements” for the purchase and sale of various goods and services such as rice, molasses (for producing bio-fertilizers), cooking gas, lubricating oil, motor vehicle insurance service, etc.
- Livelihood training and development.
- Spiritual enhancement through specific teaching programs as well as regular monthly “communal” gatherings for savings and credit transactions (which lead to certain by-products including “spiritual enhancement” through close and warm inter-personal relationships).
- Other services or facilitation for communal benefit.

The significant role of the Buddhist monk in this case is noteworthy. He also worked with garnered the support of a number of other monks and “volunteers.” Thus, we can say that the monk, together with his supporters and volunteers, is a “local civil society organization” that helps local communities mobilize their “internal” resources for its own welfare.

Again, like the “Khong Pia Savings Group” in Songkhla Province, the Trad Province Savings Groups have also accepted resources from outside organizations when there are opportunities and the terms and conditions are acceptable. Examples include:

- More than 10 million baht grants from the Government’s “Social Investment Fund” for mangrove forest conservation and provision of welfare to distressed persons.

- Grant and support from the Government Savings Bank for furthering the mangrove forest conservation and for the promotion of the savings group's development activities in and beyond Trad Province.
- Grant and support from the Community Organizations Development Institute (Public Organization) for the promotion and expansion of the savings group's development efforts in general.

### *Analysis*

How are the two cases on community self-help groups good examples of strategic philanthropy? The first issue is whether or not the "community self-help organizations" can be regarded as "philanthropy." These organizations collect "savings" from the members on a regular basis, then lend to members who apply for loans. Such activities result in "surpluses" for the organizations. Apart from distributing part of the surpluses to members as "returns" on their savings, the organizations keep a substantial portion of the remaining "surpluses" as "welfare funds" for the benefit of members in accordance with mutually agreed upon principles and conditions. It is therefore this aspect of the community self-help organization that makes it "philanthropic."

In addition, these organizations can, and do, raise funds and/or access support grants from external sources, such as government organizations or programs; these funds are then managed for the benefit of their members or a specific target groups as specified by the respective donors or grantors. This kind of activity thus confirms and expands the role of community self-help organizations as philanthropic organizations at the grassroots level. Alternatively, these organizations can be called "grassroots community foundations" because they belong to community members, and managed by community members for the community's benefit. In other words, they are truly "foundations of the community, by the community, and for the community."

The Klong Pia Savings Group has been innovative and strategic in a number of ways. This savings group grew from an officially-sponsored program called "savings-for-production groups." However, the group chose to deviate from governmental, specifically the Community Development Department, guidelines and established its own rules and regulations, with simple operations but very strict discipline including social sanction provisions and a very strong "audit committee." The management of this savings group has been under strong, capable, dedicated and compassionate leadership who adopts "hands-on social marketing practices." The leaders of this group would, for example, utilize community events such as funeral rite gatherings as venues for information dissemination and discussion about the various aspects of the savings group's operations and activities. The fact that it is now the largest grassroots savings group in the country, has made the group the subject of much study and research; it has also received visits from various groups of people both within Thailand and from abroad. This should confirm the proposition that the Klong Pia Savings Group is indeed innovative and strategic.

The "Trad Province Savings Groups," on the other hand, have grown through the guidance, leadership, and support of a Buddhist monk. This, combined with the fact that operations and activities of these savings groups are largely and regularly held at Buddhist temples, makes these savings groups innovative and strategic from a societal standpoint. This is also evidenced by the fact that the Trad Province Savings Groups' "model" of organization, in particular the active leadership of Buddhist monks, has spread to provinces throughout the country. Like the "Klong Pia Savings Group," the Trad Province

Savings Groups have established their own rules and regulations that embraced simple operations but strong discipline and social sanction measures. In addition, the Trad Province Savings Groups are innovative and strategic because they have ventured into a variety of “community undertakings” such as protection of the mangrove forest, promotion of bio-fertilizers, and cooperative arrangements for the purchase and sale of goods and services.

The community self-help savings groups in Thailand have been joining together to form different types and different levels of networks, creating a significant social movement with many significant outcomes including community learning, community capacity building, and the enhancement of “social capital.” The existence of this movement, accentuated by the notable examples of the Klong Pia Savings Group and the Trad Province Savings Groups, among others, have also contributed to a major public policy initiative leading to the establishment of more than 74,000 “village and urban community funds” of one million baht each in more than 74,000 villages/urban (poor) communities throughout Thailand. The village and urban community funds have become a major force in Thailand’s rural and urban community development. Thus, community self-help savings groups in general, and the Klong Pia Savings Group and the Trad Province Savings Groups in particular, are innovative and strategic at both the community and the national levels.

### ***Best Practices and Opportunities for Replication***

From these two case studies, the following items emerge as “best practices” with possibilities for replication or adapted application:

- (1) Establishing a “community savings group,” whether at the village level (village-based), or at a larger level, is a clearly possible in a developing country such as Thailand. With compassionate, honest, diligent and capable community leadership, “community savings organizations” can develop, grow, and become sustainable.
- (2) Participatory management is generally an effective way to strengthen the organization, especially in the case of community organizations. Members share a sense of ownership and also take part in the creation of rules and regulations, thereby increasing the likelihood that they will abide by these rules. When posed with problems or difficulties, members will pool their efforts to solve the problems. This practice of participatory management is clearly evident in both cases of community organizations described above.
- (3) Using portions of the organization’s “surplus” to provide “welfare” and “development” benefits to the community is effective for attracting new members and also in retaining existing members. This method is effective because giving up membership would also mean foregoing these benefits.
- (4) Strict discipline, transparent operations, and “social control” mechanisms have worked effectively in both these cases of community self-help groups. This practice is generally applicable for community organizations overall.

### ***Some Additional Observations and Recommendations***

Finally, from this overview of philanthropy in Thailand and the two case studies in particular, the following additional observations and recommendations can be offered:

(1) Philanthropy in Thailand has developed more or less along a normal path but has the potential for innovation and creativity.

The Thai society has the ingredients for philanthropic growth and development: an enabling constitution; a dynamic and flexible public sector with an emphasis on decentralization; a more vibrant economy with an energetic business sector; a growing civil society that is also becoming more significant; and grassroots communities that are re-discovering their identities and strengths, among others.

It is recommended, therefore, that **all sectors -notably government, business, civil society, and communities - should collaborate and coordinate their efforts in bringing about further growth and development of the philanthropic sector, including the promotion of innovation and creativity.**

(2) Non-governmental, non-profit, public-benefit, or “philanthropic” organizations in Thailand can be financially sustainable and make a significant impact by being creative and innovative together with an effective management system.

This is clearly shown in the case of the Population and Community Development Association (PDA). There are also many other non-governmental, non-profit, or public benefit organizations in Thailand that have achieved satisfactory progress, in one way or another, by being creative and/or innovative in various ways.

**What should be encouraged and promoted, therefore, is a system of “knowledge management” concerning innovation and creative development in the philanthropic sector.** This system may include case studies, information networks, study workshops or training programs, learning materials and instruments, to name a few.

(3) Grassroots communities are capable of discovering ways and means of looking after themselves in terms of economic and social welfare, thus performing the function of “community foundations” in a true sense.

The case of the “Klong Pia Savings Group” and the “Trad Province savings Groups” are just examples of what communities and community self-help organizations can do.

Since there are exists a multitude of such organizations in Thailand, **it should therefore be possible and advisable to promote and encourage creative and innovative “philanthropic” developments in various forms at the grassroots level throughout the country.**

Likewise, a system of “knowledge management” is applicable here as well, for the purpose of promotion and support.

## Endnotes

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## **CONCLUSION**

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David Winder and Natasha Amott

### **Introduction**

The cases outlined in the preceding chapters provide an interesting set of insights into the meaning of strategic philanthropy in different political and cultural settings. In closing we will explore further these concepts and draw some lessons for new and emerging foundations working in similar settings.

We will start by underlining the major innovations in strategic philanthropy undertaken by the sample of foundations. This will involve examining how they determine their niche or comparative advantage in their respective societies, and how they tackle the challenge of making a lasting difference (i.e., what programs and practices they adopted). It will also touch on the critical issue of how foundations apply creative methods of resource mobilization and ensure those assets are applied to maximum effect.

Next we will briefly highlight examples of ways in which local and national cultural, political environments influence the pace of growth or change in the kinds of philanthropy being practiced in the different countries.

In the final section we will look briefly at some key lessons learned to move forward the current dialogue on strategic philanthropy.

### **Innovations in Strategic Philanthropy**

The cases provide interesting examples of how foundations tend over time to develop more varied and proactive approaches to implementing their missions. This is in part a result of evaluations and strategic planning processes and in part a response to the pressure of having to achieve the best possible impact with relatively modest resources.

In many cases foundations start with a major emphasis on the provision of small grants to micro projects. They do this in order to respond to demands and to create a track record in grantmaking. In managing and evaluating these grant programs, foundations become aware of their limitations such as limited impact on root causes of problems and lack of sustainability. To overcome these limitations and achieve lasting change foundations introduce

a range of additional practices and program interventions. These include capacity building of local organizations and complementary actions to influence policy.

We will look at some examples of how foundations have become more strategic by broadening their range of program interventions.

### *A) Innovations in program strategy*

Some of the more innovative practices that the case studies are bringing to light include:

- > working with other groups and sectors in order to catalyze change
- > supporting the strengthening of civil society organizations
- > complementing and building on small grants programs
- > social marketing
- > testing and disseminating new approaches to social development
- > maximizing the impact of small grants programs
- > strategic planning to inform practice

#### Working with Others to Catalyze Change

Several of the foundations studied in this volume expressed the view that their resources are too insufficient on their own to successfully tackle what are often very complex and dynamic problems. They have recognized, however, the strength that comes from working in consort with other sectors as well as by supporting change on complementary levels – from the community to the macro or policy level. This involves strategies to bring about changes in government policy at both national and local levels and strategies to influence other sectors to contribute human and financial resources to solving issues.

In particular, the cases provide examples of how foundations have taken the initiative in creating strategic alliances to ensure a higher quality of response to social concerns in their chosen fields of endeavor. These alliances or partnerships will vary in duration but have one or more goals. First, they may seek to influence policy; second, they may optimize the use of existing resources and bring in new resources to match the foundation's investment; third, they may serve to give greater visibility to issues such as child abuse and sex discrimination that can go unrecognized by influential sectors; and fourth, they may serve to upscale tried and proven methodologies at the community level. In all cases, they are likely to build on and nurture the foundation's chosen niche or comparative advantage.

A foundation, as a neutral party, is often in a good position to act as a “bridge” between sectors or to convene different stakeholders around a specific issue. FECHAC and Liberty Life are examples of corporate foundations that convene civil society and government. The cases of Consuelo, Carpathian, VAMOS, Environmental Partnership, and PDA demonstrate civil society-led foundations that convene the government sector and/or business sectors. Healthy City Karvina from its beginning has attempted to inculcate a spirit of stakeholder ownership in its work.

Another example of this “bridging role” is that of the Consuelo Foundation. It has focused on the issue of sexual abuse of children. To achieve change at both the local level (prevention and treatment) and the policy level it has played a critical role in bringing together all the key players, both nongovernmental and government and developing and implementing new and effective strategies.



### Supporting the strengthening of civil society organizations

The Consuelo Foundation, Carpathian Foundation, Environmental Partnership Foundation, and Oaxaca Community Foundation have identified the importance of using some of their resources to support training and skills enhancement of the nonprofit or community-based organizations serving the beneficiaries the foundations ultimately want to see supported. In the case of Consuelo and the Environmental Partnership Foundations, this has meant bringing “partners” (they are both careful to not use the term “grantees”) together to learn from and share with one another as well as working with these partners to develop their financial sustainability through social enterprise and other techniques. The Environmental Partnership Foundation has invested CZK 35 million in the NGO sector’s strengthening and development since 1991.

The importance of supporting the strengthening of institutions is that this tends to be wrapped up with a desire to see sustainability within organizations. Most foundations detailed in this volume are explicit that their resources can only extend so far and that the organizations they support need to identify other ways to ensure their long-term survival, beyond grants from the limited number of grantmaking foundations that exist in most countries. Supporting institutional strengthening also helps assure the foundation that their monies will be going to more capable and accountable organizations, therein establishing a strong base from which to accomplish their missions more successfully.

### Complementing and building on small grants programs

Most of the foundations documented in the paper broaden their range of activities beyond grant support for micro projects at the outset or early in their institutional development. If they are going to exercise leadership in overcoming major challenges facing their societies there is a realization that support for grass-roots projects and NGO institutional development has to be complemented by other strategies at the macro or policy level. This involves strategies to bring about changes in government policy at both national and local levels and strategies to influence other sectors to contribute human and financial resources. Let us identify some of the ways in which foundations have moved to adopt a higher profile leadership role in their selected areas of concern.

### Social marketing

Another strategy for increasing impact that a few of the foundations in this volume have successfully adopted and which many other foundations could likely learn much from with further investigation is social marketing. A foundation can develop innovative ways of providing incentives for businesses and local government officials to put their weight behind a neglected cause. For example, ABRINQ developed a strategic approach to winning broad support for a concerted effort to promote children’s rights. The “child-friendly mayor” and “child friendly company” campaigns have had national impact thanks to the strong support of the board and the member companies and a clearly thought out strategy combining incentives and well-publicized accountability. ABRINQ also took the lead in building a partnership between the Ministry of Education, a textbook publisher, and UNICEF to run a national campaign in schools on children’s rights.

PDA in Thailand has similarly allocated significant resources to a campaign to encourage the public to use condoms in order to prevent HIV/AIDS. PDA also uses marketing as a means to raise funds.

### Testing and disseminating new approaches

Another example, also by a corporate foundation, is FECHAC's decision to develop an HIV/AIDS prevention program and a women's credit program and then once the methodologies were tested hand them over to other independent nonprofit organizations.

Finally, the Nelson Mandela Children's Fund has developed new support programs for children with disabilities and children affected by HIV/AIDS and mobilized the support of development agencies and others behind these initiatives.

### Maximizing the impact of small grants programs

The disbursement of resources to nonprofit organizations and community-based organizations can be considered strategic if it:

- > Tests and develops innovative approaches to community development, such as sustainable resource management (e.g Boticario, Oaxaca)
- > Incorporates a method for the sharing of successful strategies with similar organizations (Consuelo), encourages the corporate sector to invest (PDA), or convinces other funders to invest in replication (NMCF)
- > Builds on local resources to create self-sustaining funding mechanisms (Klong Pia and Trad Province Saving Groups)
- > Incorporates the use of non-grant mechanisms, such as loans, to ensure the foundation's resources reach a greater number of beneficiaries. (FECHAC, VAMOS, Kong Pia and Trad Province Savings Groups)
- > Applies part of the resources invested towards building institutional capacity in areas such as resource mobilization, strategic planning and impact evaluation, to ensure the nonprofits can become self sufficient (Consuelo, Oaxaca).

### Strategic planning to inform practice

At the core of developing practices that exemplify strategic philanthropy is investing heavily in regular and structured strategic planning exercises. Ultimately, engaging in such a process helps to bring about a clear focus to a foundation's work, in terms of thematic areas, clearly defined beneficiary groups, or a precise geographic focus.

In particular, it is important to highlight the research endeavor foundations need to take up when accepting the importance of strategic planning to their overall methodologies and achievements. This research may take several forms including conducting an analysis of what gaps and opportunities there are in the issue, beneficiary group, or geographic area identified as being of importance to the foundation. In some cases, this may be complemented or replaced by convening key groups around the issue at hand and collectively identifying next steps in terms of the most appropriate role for the foundation to play. In other cases, it may be to strengthen commitments and cooperation on shared issues of concern. In other words, this is a very deliberate attempt by the foundation to listen to its stakeholders and secure ideas and buy-in from these stakeholders on the foundation's role and the issues it should address.

In most of the cases in this volume, the foundation or the foundation's founders consulted with a range of stakeholders and civil society leaders to develop their strategic focus. The Peace and Equity Foundation created a research design that led to the production of a "poverty map" and used that as a tool to identify geographic areas where their

endowment plus the resources of other funders might be applied to achieve the greatest impact. In some cases such as the Oaxaca Community Foundation, the vision and mission changed over time as more consultation took place and it became clearer what the needs were, where the gaps were, and where the foundation could make a difference. In the case of the Environmental Partnership Foundation, the vision and mission withstood some major reexaminations of its work but nevertheless still led to a sharpened set of goals and strategies to carry out its work.

### ***B) Innovations in resource mobilization: leveraging assets***

#### Leveraging Assets Successfully

Next we will extract some of the most innovative approaches to leveraging foundation assets in the process of raising and managing financial resources. While some of the cases are of foundations created with endowments (such as the Consuelo Foundation in the Philippines) or that receive a regular injection of funds from a corporation (such as Boticario in Brazil and Liberty Life in South Africa) the vast majority of foundations outside of North America, Western Europe and Australasia are not recipients of large endowments from private or public wealth. Not only is the lack of endowments an issue but increasingly, a large traditional supporter of emerging foundations in developing countries—the international foundations like Ford or Mott or official development assistance agencies like USAID—has been on the decline. Several of the foundations documented here have realized that if they are to have a strategic impact in their societies they must apply creative methods of resource mobilization and ensure that those assets are leveraged to achieve maximum impact.

In a number of different settings, the foundation cases have concentrated their strategic thinking on fundraising with significant success. Some examples include:

- > bringing other potential donors to the table to discuss a shared issue of concern as in the case of Consuelo and the Peace and Equity Foundations in the Philippines, in the highly successful marketing efforts of Abrinq and the Boticario Foundation both in Brazil and internationally,
- > encouraging the corporate sector to invest in a social issue, as was done by PDA in Thailand in the “Thai Business for Rural Development” program with over 150 companies, especially by promoting the know-how and skills base of a corporation as something that can be contributed to a project in addition to their funds, or by creating partnerships with the hotel industry to encourage tourists to make contributions to the community foundation (Oaxaca Community Foundation).
- > convincing other funders to invest in replication of successful strategies as has been done by the Nelson Mandela Children’s Fund and the Consuelo Foundation.
- > building on community resources to create small but locally owned and managed funding institutions as exemplified by the Klong Pia and Trad Province Savings Groups.
- > incorporating the use of non-grant mechanisms, including loans, equity, and loan guarantees, to ensure some level of fund recovery and to reach a greater number of beneficiaries, as exemplified by FECHAC and VAMOS in Mexico, the Peace and Equity Foundation’s approach in the Philippines, and the Thai savings groups.
- > establishing a 501(c)(3) tax-exempt organization located in another country (often the US) to raise monies from individual contributors who may be part of a diaspora

interested in giving back to their country of origin as is the case of the Nelson Mandela Children's Fund, which has offices in the US, Canada, Netherlands, France, and Australia.

- > introducing an additional payroll tax on businesses to generate funds for the foundation's grants and endowment as has been introduced by FECHAC (which currently receives an income of US \$8 million from this source).
- > generating monies from the capital markets through bonds and other financial instruments, as was successfully done by CODE-NGO in 2001 in the Philippines to generate an endowment of US\$27 for a new foundation.
- > developing a range of income generation programs that raises funds for the foundation's efforts as in the case of PDA in Thailand which charges fees for providing family planning services and owns a chain of restaurants and conference centers or the Environmental Partnership in the Czech Republic that uses its skills to provide fee-based consultancies, trainings, etc.
- > Partnerships with private companies that agree to invest their financial resources and technical skills in supporting community development programs in specific communities. Botecario Foundation in Brazil has mobilized matching funds from international organizations to support socio-economic development projects in communities surrounding a Nature Conservancy the foundation has created.

## Behind the Practices

A range of factors in the local environment can influence the pace of growth or change in the kinds of philanthropy being practiced by institutions in that environment, not to mention the general growth and formation of the sector. One clear trend that emerges from these cases is that foundations tend to move along a continuum from reactive to proactive. This appears to often coincide with an evolution from responses that are motivated by charitable impulses to ones that look to address the underlying reasons for poverty (what we discussed above under social justice). In part this is a result of their own learning emerging from evaluations and other forms of feedback and in part it is a response to the pressure of having to achieve the best possible impact with relatively modest resources.

In addition to this overarching trend, the following issues are also observed to have been influential in determining the case foundations' decisions regarding the adoption of strategic philanthropy.

### *Adapting to Changing Realities*

We have learned from the experience of foundations in Brazil, South Africa, Mexico, and the Philippines how a transition to democracy can impact positively on the growth of civil society organizations, including foundations. In Brazil it led to the creation of a new philanthropic culture. In South Africa it meant that existing foundations had to think of how best to respond to the changing environment, post-apartheid. In the Philippines, the growing number of foundations gained credibility fighting against the Marcos dictatorship. In addition, this transition to democracy and the more open society that has appeared along with it has resulted in an exponential growth in the number of NGOs providing services to disadvantaged communities and seeking resources from foundations

to support their activities. This has put strong pressures on existing foundations in these countries and at the same time forced those up to the challenge to test out new strategies to be more responsive to these needs and, in some cases, adapting programmatic focus and methodologies to existing realities.

In South Africa for example, the Liberty Life Foundation reshaped its education program taking into account new needs and opportunities. This included launching a new program to raise the quality of the state education system and closing down its scholarship program for black children to study in private schools. The foundation has also realized that under the new democratic disposition there is a need to support programs that enhance public participation in government decision making and build practices of public accountability.

What's more, as foundations seek to use their resources more strategically and leverage funds they are meeting with increased receptivity from national and local governments. In part, this is a result of the recognition by government that by partnering with civil society organizations they can improve the effectiveness of their programs, gain increased credibility and mobilize more financial and human resources. In other ways, as the Health City Karvina and Carpathian cases demonstrates, seeking and applying resources other than money has been a way that the foundations have leveraged the limited assets available in their respective regions for the scale of economic and social transformations needed.

### *Enabling Environments*

The lack of financial resources can sometimes be attributed in part to the lack of a positive enabling environment and cultural constraints. Constraints faced in many cultures include: the lack of a tradition of giving to third party institutions such as foundations, the lack of trust in such institutions to handle the resources responsibly, the absence of tax incentives for donors, lack of experience in raising and managing endowments and the predominance of giving to religious institutions.

As suggested by the Consuelo case and others, however, the recognition and acceptance that the foundation's resources are in fact scarce (in most cases) was helpful to pushing the foundation to adopt other means by which to raise funds for the issues they're supporting, often by using existing funds as a leverage to bring in other donors. In the Peace and Equity Foundation's case, it took an NGO network organization to forge into previously unchartered territories in the capital markets to generate an endowment for poverty alleviation in the Philippines.

On the macro level a number of countries, led by Brazil, have witnessed a growth in the corporate foundation sector, in part as a result of consumer pressure. The evolution of the corporate sector's involvement with philanthropy tends to have a positive influence on the sector as a whole.

Finally, in some countries the foundation sector has benefited from the creation of a new support structure. In Mexico, Brazil, and the Philippines, membership associations have arisen that offer a range of services to foundation members and play a catalytic leadership role in advocating for a more favorable legal and tax regime for foundations. They also help to share best practices in strategic philanthropy among members and in turn share experiences in global networks such as WINGS (the Worldwide Initiative for Grantmakers Support). In the case of the Philippines, this support network has extended to the establishment of professional codes of performance by which organizations become certified and capable of receiving tax deductions.

## Lessons Learned

The cases provide us with a glimpse of some of the innovative work being undertaken by foundations in four regions of the world. Many aspects of the ways these foundations determine their niche in their respective societies, plan their activities and associate with other sectors would potentially be replicated by others.

A critical ingredient in a successful foundation is the existence of a strong and committed board and professional staff willing to learn from their experience and listen to all sectors of the community in determining their priorities. In the case of the foundations profiled in this volume, most address the important role played at one time or another by the vision or skills of the president or executive director. While perhaps this is less open to being replicable because it comes down to personal dynamics, the reality is that personal leadership at the helm of a foundation can make or break directions for the foundation's philanthropic practices.

Enormous gains can be obtained by reaching out to other sectors and crafting multi-stakeholder partnerships that draw on the respective skills and resources of all. Equally important is a willingness to take risks and search for critical areas of social change that are being under-funded and under-recognized. The way ABRINQ has tackled the challenge of children's rights and the Consuelo Foundation's approach to raising awareness on child abuse and improving support are examples of carefully developed strategies that combine work at multiple levels and produce high impact.

Other examples worth underlining are the work of FECHAC to partner with other sectors to highlight and impact on the needs of marginalized groups, particularly indigenous peoples and the ways in which Liberty Life Foundation has leveraged other resources to fund innovation in the state education sector.

We see an ongoing need for work documenting and disseminating diverse approaches to strategic philanthropy in different philanthropic traditions. This study only made a start in the challenging task of measuring the impact of alternative strategies. Future research would be able to delve deeper into the impact of different strategies and explore best practice in program evaluation.

## **PART II: GLOBAL PERSPECTIVES**

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## **INTRODUCTION**

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Helmut Anheier

During much of the 1990s, philanthropy thrived both nationally and internationally. By the turn of the century, there were more foundations holding more assets in more countries than ever before. Although endowment values dropped since then, they remain at historically high levels in most developed market economies. What is more, new forms of philanthropy have emerged in the course of the last decade, with donor circles, donor advised funds, and e-philanthropy adding new momentum to the growing phenomenon of transnational, philanthropic action.

Philanthropy, it seems, follows the familiar pattern of globalization: just as companies are becoming more global, just as international law includes more and more countries in a dense network of treaties, and as the mobility of finance, goods and services reaches ever new heights, so too, does philanthropy move beyond national borders at increasing scales. At least for the very large foundations, a global presence, range of interests and actions seems to become the norm rather than the exception. Even though most foundations, bounded by their deed and other considerations, remain domestic in orientation and activities, there is a pronounced move toward more and greater international involvement. The United States has for many years been the leader in transnational philanthropy, but foundations in other regions such as Europe and countries like Japan and Australia are becoming more active internationally as well. In the European context, this means first and foremost a greater European engagement, both East and West, but it also means greater Transatlantic and North – South activities.

Yet little is known about transnational philanthropy, and above all, its distinct role in an era of globalization. The various contributions in this part look at different aspects of transnational philanthropy and, through a series of case studies, examine the challenges and opportunities as well as strengths and weaknesses of philanthropy in relation to global problems and situations where local and international philanthropic action becomes necessary. The combined objectives of the case studies is to demonstrate the strategic role for philanthropy as a global player, and ask: does philanthropy have a strategic, distinct role in the globalization process, and where and how can it achieve greatest added value? How can philanthropy approach solutions to global problems in innovative ways? Specifically, the case studies address the following questions in an effort to contribute to a better understanding of the potential of philanthropy and globalization:

- > What is different about being a global philanthropic actor? How can local – global links best be established? How can foundations bring multiple constituencies together, and how can they operate in multiple jurisdictions? What are the implications for governance, organizational structure, programs, and information flow? What innovations are taking place?
- > What are the key roles for philanthropy? Foundations are institutions beholden neither to the political power plays of international governance nor to the market thinking of transnational corporations. How can foundations take advantage of the unique opportunities arising from their privileged position while operating at the transnational level? In other words: where and how can they best capitalize their distinct advantage?
- > What best practices and models can be found about how foundations work as global actors, how can other foundations learn from them, and to what extent can they be transferred to other settings and circumstances?

Taken together, the case studies will illustrate where and how foundations can become strategic philanthropic institutions at the global level. They cover different regions of the globe, look at different fields and issues, and a range of programs and activities. To the extent possible, each case study follows a standard format:

- > Summary of major lessons learned
- > Description of case
- > Analysis along four key questions:
  - How did the foundation identify the specific needs, issues and challenges to address (i.e., mission and vision)?
  - How did it developed a strategic approach to impact on these needs in the specific global or local context? What was the specific ‘philanthropic added value’?
  - Which strategies/programs/mechanisms proved most effective and why for operating as a ‘global actor?’ What were some of the weaknesses, and why?
  - What are the implications of the case study in terms of best practices, and what are some of the wider lessons for policy and strategic philanthropy?

Specifically, we included the following case studies:

- > In “*The Role of Philanthropy in Globalization*,” Melanie Oliviero and Adele Simmons examine the role of philanthropy in addressing private and public sector deficiencies at the transnational level, i.e., situations where foundations can address problems caused by government or market failures. They look at how foundations help to create Transparency International to fight global corruption and how they supported the spread of corporate social responsibility programs; how they helped the emergence of alternative product markets; how they contribute to coalition-building across different stakeholders and coordinate strategies among different actors and interests.
- > The chapter “*The Global and Local Dimension*” by Dan Nielsen looks at three cases where foundations identified strategic areas of interventions around global problems with local manifestations: Rotary International and the eradication of Polio; the Bill and Melinda Gates Foundation’s program to develop vaccines for malaria and the

HIV/AIDS virus; and the Catherine T. McArthur Foundation's grant-making program in environmental protection and natural resource management.

- > Giuseppe Caruso's contribution "*Philanthropy and Networks in Global Civil Society*" picks up the theme of coalition-building identified by Oliviero and Simmons, and explore it in greater detail in the case of the World Social Forum. He shows the approach and strategies of a group of funders to create, within a short period of time, a coalition among individuals and non-governmental organizations to bring about the World Social Forum as an alternative global platform of debate to challenge the dominance of the World Economic Forum.
- > In "*The Role of Philanthropy within the United Nations System*" Stefan Toepler and Natasha Mard examine the origins and operations of the United Nations Foundation. The case study shows how a visionary board can formulate a strategy on how philanthropy can effectively engage with supra-national government, and while becoming an advocate for the UN, still maintain its relative independence from political agenda, thereby guarding its distinct philanthropic role.
- > Natalia Leshchenko explores the role of foundations in 'weak' or 'failed' states, in particular in post-conflict scenarios. In "*Philanthropy in Post-Conflict Situations*" she looks at the role of the Charles Stuart Mott Foundation and the Soros Foundation Network and finds that they serve to promote systematic change and democratic tendencies in post-conflict societies by building 'bridges' of understanding and engagement.
- > The final case study, by Diana Leat, deals with the infrastructure of global philanthropy and examines the role of WINGS (Worldwide INitatives for Grantmaker Support) and WINGS-CF (Worldwide INitatives for Grantmaker Support - Community Foundations). She finds that a critical role for WINGS lies in information management and the dissemination of expertise and knowledge among different types of foundations that work across different jurisdictions and fields.

A concluding chapter summarizes the major results of the case studies and addresses some of the implications that follow from the work presented here.

## **DISTINCT VIEW—INTERVENING IN THE PRACTICES OF THE PUBLIC AND PRIVATE SECTOR**

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Melanie Beth Oliviero and Adele Simmons

### **Introduction**

Any world actor hoping to promote systemic change today must be able to influence government policy and market forces. In this era of globalization, these two powerful drivers of economic and social development dominate the field, often to the exclusion of the civil society sector. While foundations are increasingly developing partnerships with corporations and government, they traditionally work with civil society. Philanthropists have supported, strengthened and empowered civil society organizations, such as professional associations, farmer cooperatives, women's groups, and environmentalists, which have become active in the globalization debates. In the last decade, it has become clear that when civil society groups become legitimate players, they can influence the ways in which governments and corporations address global issues.

Cross-border international philanthropy has a long tradition. For centuries donors have provided direct support for people in other countries suffering the effects of need and crisis such as famine and war. They supported the movements to abolish slavery and then the slave trade itself. In recent years, however, donors seeking systemic change have developed cross-border grant-making strategies to address the causes of poverty and political instability. Donors are supporting global projects, such as vaccine development, as well as local and regional work, such as building schools and resolving conflict. These efforts require new engagement with government policy and markets.

For donors accustomed to international philanthropy, tackling aspects of globalization is a natural, if newly challenging, extension of their work. Some other funders stay away, saying the topic is "too big." And yet in some cases, a small amount of funding can produce significant change on a global scale. The international convention to ban landmines, the Mine Ban Treaty, was promoted by a small number of civil society groups with modest budgets, and groups such as the International Labor Rights Fund and Global Exchange have strategically used small foundation grants to put sweatshop issues on the international agenda. Whatever the scale, global challenges stemming from the integration of economies and the spread of disease across borders are increasingly moving foundations to engage directly with international trade and financial practices.

The word “philanthropy” has different meanings in different countries. In some countries the phrase “private social investing” is used instead. We use both terms to mean the use of private resources to create systemic social change that protects public goods and improves the quality of life for those who live in poverty and do not have access to basic human rights – economic, political, and social.

Effective philanthropy, however measured, is dependent upon a solid foundation: the information, judgment, and philosophy guiding the making of grants are crucial. The philanthropic leaders who have listened to the civil society sector in emerging countries are the ones who have helped to promote systemic change and modify the impact of globalization.

This paper considers three strategic philanthropic approaches that have given civil society a role in the globalization process. The first approach is starting new organizations, at the local, national, or global level. The second is building coalitions across sectors – among funders, civil society organizations (CSOs), business, and government. The third is coordinating strategy among philanthropic organizations, leveraging each other’s power and working as a bloc. The following examples demonstrate that informed strategic philanthropic intervention can result in significant social change.<sup>1</sup>

### **Starting New Civil Society Groups**

In recent years, the economic effects of globalization have influenced the lives of citizens everywhere, no matter how remote. In response, there has been an increasing demand from popular movements that governments, international financial institutions, and corporations operate with greater transparency. Citizens want to know who is doing what, and who benefits. Governments vary in the degree to which they are accountable to their citizens. In countries where government is repressive and/or chaotic, it is especially difficult for civil society to organize itself and demand accountability. In less extreme circumstances – the majority of countries today – the civil society is better positioned to mobilize popular sentiment and insist on at least minimum levels of accountability from the responsible government.

Funders have played an important part in the movement to hold governments, international financial institutions, and businesses accountable to international norms. The civil society organizations they support have been crucial, for in advanced democracies, as well as more transitional ones, independent groups are the most effective advocates for accountability. Accountability structures and practices may take different forms, but each must contain certain essential elements. Be they fact-finding investigators, auditors providing oversight, or arbiters of disputes, one principal requirement is true independence free from conflicts of interest, influence, and corruption. Another essential characteristic is transparency manifested by public access to information that is disclosed in a timely, complete, and accessible form. By necessity, outside actors need to fulfill such functions.

In recent years, groups started and supported by international funders have developed new tools for measuring and monitoring the impact of globalization on all citizens. Some of these start-up civil society groups have influenced governments and markets at the local and global levels and demonstrated that strategic funding can have an impact in a short time.

### ***Intervening in Government: Transparency and Anti-Corruption***

Civil society groups have begun the process of introducing transparency into the multi-million and -billion dollar international transactions of large institutions, both

public and private. Such steps towards accountability are sorely needed. Governments, whether in their direct bilateral arrangements or as “owners” of the World Bank and other development banks, should be exercising oversight. But the reality is that the monitoring of trade agreements, loans, and big bank projects involving vast amounts of capital is often insufficient to prevent funds from being diverted for corrupt purposes. The stories of bilateral aid and financial support from the World Bank and other international financial institutions that have been diverted from investment in social programs to personal offshore bank accounts are legion. In addition, money has been transferred from the Bank to national governments for projects that are ill conceived or even detrimental to human and environmental well-being. Despite the rhetoric of anti-corruption within multinational organizations, and between them and member states, secrecy, partiality, and impunity for wrongdoing persist. It is not hard to conclude that such distortions in trade and development patterns that further impoverish both people and the natural environment are, in part, the net result of a lack of transparency and accountability.

The demand for change has come from the community base. And philanthropy has listened. In most countries, neither the public nor private sector can be counted on to empower citizens to demand integrity and competence in business and government. Civil society organizations (CSOs) supported by philanthropy have filled this gap. Large foundations and individual funders have provided direct support for start-up civil society organizations that are developing innovative and reliable ways to measure and enforce open and verifiable processes.

*Transparency International.* One of the best known examples of a start-up organization receiving philanthropic support is Transparency International (TI), a Berlin-based non-governmental organization formed in 1993. TI’s goal from the outset was to develop and systematize independent, scientifically valid tools to identify and track corruption in government. It credits a few key philanthropic institutions—the Ford Foundation (U.S.), and the Rowntree and Nuffield Trusts (U.K.)—with having the vision and the willingness to take the risk of investing in its ten founding individuals and their anti-corruption mission.

TI has designed and tested a set of empirical indicators that provide credible worldwide data on corruption. These data are collected from independent surveys from multiple sources and compiled in a Corruption Perceptions Index that ranks countries by the level of corruption among public officials as perceived by knowledgeable business people and others who interact with them. First published in 1995, the Index has been issued annually since then and now includes over 100 countries. The index approach provides comparability across countries and from year to year. From its founding focus on the takers of bribes, TI subsequently developed tools to track the corruption of givers, and the first Bribe Payer’s Index was published in 1999. It focuses on bribe-paying in international trade. As global trade has exploded, TI has provided tools to combat the corruption that flows from it.

TI’s Berlin office brings the data together, but local chapters have the responsibility of using it to bring about change. TI has grown to a network of national chapters in nearly 90 countries and pioneered an organizational structure of autonomy within a larger umbrella. These homegrown CSOs add a dimension of accountability to the work of other civil society groups in their countries through joint activity and training. Another measure of TI’s success may be found in the new generation of civil society watchdog groups that have emerged in its wake. TI’s ability to establish and apply research methodologies has modeled new tools for other advocates of accountability to develop. While others groups

might have invented similar approaches had TI not existed, the novelty of TI's approach has stimulated the testing and formation of similar undertakings. In this way it serves as a catalyst for civil society to replicate, amplify, expand, and adapt.

As TI has grown and gained legitimacy, governments and financial institutions have begun, often reluctantly, to pay attention. Governments are forced to respond when TI's annual reports show their countries ranked among the world's most corrupt. The World Bank now acknowledges that corruption is a fundamental economic problem and not a political problem outside its purview. It has made anti-corruption an increasingly strong theme in its global granting and lending operations. The Organization for Economic Cooperation and Development (OECD) passed an Anti-Bribery Convention in 1997, largely because the tools developed by TI make measurement and enforcement possible.

Such measurable change would not likely have occurred in a decade's time had not TI's philanthropic partners made the initial commitment to the fledgling NGO. Why did they do it? Because the funders understood the significance of interdependence in the new global economy. They were seeing again and again that corruption was a reason for failure in their work for health, education, and other areas. Thus, they understood the potential impact of addressing corruption.

The amount of funding needed to establish TI was not staggering, and the people involved were known in the international funder community for effective leadership and commitment. TI's innovations have had direct, and in many cases measurable, impacts on a range of activities essential to the consolidation of democracy that has occurred simultaneously worldwide. Journalism has been strengthened and become better informed. Citizens have access to confidential hotlines through which they can safely report corruption. Private sector contracting and international aid have both come under increased scrutiny through the use of tools that TI provides. In large measure, the ambitious UN Convention Against Corruption, which has recently acquired the requisite number of state ratifications to come into force in December 2005, owes its success to TI having put the issue on the public agenda.

As more and more governments and businesses move towards the commitment to transparent procedures, donors can see how an investment of a few million philanthropic dollars has increased the effectiveness of many billions of dollars from the government and private sectors.

### ***Intervening in the Market: Workers' Rights and Corporate Accountability***

Since the flow of private capital across borders far outpaces the flow of governmental development assistance, changing government practices alone is not enough to alter the market pressures that entrench poverty and deplete natural resources. Transparency and accountability must also be demanded of private companies. Similar to the movement for government accountability, the corporate social responsibility (CSR) movement can also be traced to the grassroots level. Workers in factories and consumers of their products have reinforced community-based demands for corporate accountability in the exporting and importing countries simultaneously.

It took philanthropists a while to understand how they could use a combination of their convening power and grant-making capacity to influence multinational corporations. The children who sent the environmentally harmful styrofoam hamburger packages back to McDonalds in protest did not have a foundation grant. But Environmental Defense,



one of the largest U.S.-based environmental research and advocacy organizations, which worked with McDonalds to redesign its packaging to be more environmentally sensitive, did have a grant. In this case, philanthropy followed the lead of consumers.

In 1993, when the UN Conference on Human Rights was held in Vienna, the concept of human rights was being redefined. Human rights groups were recognizing the integral relationships between economic and social rights and the better recognized civil and political rights that are all part of the UN Charter. In both pledges of purpose and in operational structure, the UN was built upon human rights principles. Grant-seekers brought this awareness to grant-makers.

In seeking to respond, philanthropy built upon its relationships within the human rights movement. Grassroots organizations in Europe and the U.S. used information from human rights groups to mount campaigns against the exploitation of women and children. The Clean Clothes Campaign in Europe launched boycotts of clothing imported from sweatshops. Rugmark mounted a public awareness campaign in the U.S. on the dangers of forced child labor in the manufacture of textiles and rugs and introduced a certification alternative in the "Rugmark" label. This caught the attention of the public and, gradually, of a small but significant number of philanthropic institutions. Consumer boycott campaigns successfully pressured the "buying" companies, name-brand retailers like GAP and Nike, to hold their sub-contracting partners in low-wage countries accountable for the conditions of their workers.

While students and other consumers in Europe and the United States were demanding more information about the plants where their clothes were made, indigenous CSOs in developing countries were engaging with the factory owners themselves. From Guatemala, El Salvador, and Mexico to Indonesia and Hong Kong, labor and women's rights groups, many supported by northern foundations, have been working independently and in tandem. They have been developing the capacity to monitor corporate codes of conduct and to assess the effectiveness of the evolving set of independent monitoring systems. Grassroots groups have also pressed apparel companies to disclose factories in their supply chain. In its 2004 report on corporate social responsibility, Nike responded by providing detailed information about code of conduct violations in its contract factories.

*The China Working Women's Network.* China represents the new frontier of workers' rights and corporate accountability, owing to the sheer number of factory workers in the garment, footwear, and manufacturing sectors. In China, where factory workers are predominantly women, a single factory can employ as many as 60,000 workers, a scale that is of particular interest to donors.

Early support for independent monitoring groups working in China has led to modest but still remarkable change. Until recently, human rights organizations and other CSOs concerned about workers' rights in China have operated externally. Many are based or have offices in Hong Kong which still benefits from a democratic institutional framework. But in the past few years an indigenous NGO has taken leadership within China. Unlike its labor-oriented partners, the Chinese Working Women's Network (CWWN) focuses on providing basic environmental health and safety information to workers who are mainly migrant women. With materials designed for easy use by women who have traveled from rural parts of China to the factory zone of the south, CWWN offers information on issues ranging from chemical hazards to ergonomics and noise pollution. Through training sessions, the newsletter "Sister Whisper," and other hands-on programs, the CWWN works directly in factories and residential dormitories via a mobile unit ("The Women's

Health Express”) provided with philanthropic support empowering women to improve their labor, health, gender equality, and economic conditions.

In coordination with the Independent Monitoring Project (a small team of experienced environmental and health specialists based in the U.S.) and Chinese counterpart organizations in Hong Kong, CWWN has been instrumental in helping workers set up health and safety committees to interact directly with management, which is located mostly in Taiwan and Hong Kong. They bring a legitimacy that none of their outside colleagues can, and they are building the base for worker representation in China, where the only labor union (the All China Federation of Trade Unions) is state-sponsored and not known for its support for free association and collective bargaining. Yet as state-owned, collective enterprises give way to privatization, this initiative has paved the way for labor exchanges with international and U.S. unions and is positioning the Chinese workforce to organize independent alternatives to the ACFTU.

These successful and unprecedented worker-management teams led to the first openly contested union elections in Chinese factories. Two factories held elections in 2001 and 2002, in which candidates were allowed to nominate themselves for the first time. One person had one vote. The ballot was secret, and a transparent process of proportional representation was devised. (A corporate donor, Reebok, was instrumental in facilitating this process.)

The Chinese Working Women’s Network received early support indirectly through grants to a U.S.-based partner, the Independent Monitoring Project. This intermediary helped elevate the profile of CWWN among other funders, who then offered direct support. With CWWN, relatively small amounts of philanthropic support to seed a start-up civil society group have had measurable impact on the practices of billion-dollar multinational corporations. CWWN is now linked with regional and global women’s and labor rights coalitions opening channels of direct exchange. These alliances include cross-sectoral networks such as the Ethical Trade Initiative, a pioneering model for corporate/union/NGO engagement.

While the actual work of civil society groups addressing workers’ rights varies from country to country, and while their work is rarely coordinated across countries and regions, local civil society groups in Latin America, Asia, and Africa are an essential part of the movement to hold corporations accountable for working conditions in plants where their products are made. Funders are increasingly listening to these groups in the field and aligning their grant-making priorities with the needs of frontline groups. In the case of workers’ rights, philanthropy is following the lead of a community base, giving it legitimacy and momentum.

### ***Intervening in the Market: Building Alternative Markets for Certified Products***

Other civil society start-ups work on corporate responsibility from the other end of the supply chain. For centuries private companies have exploited the resources in one part of the world to provide material for products sold elsewhere. Then as now, less developed countries were stripped of their natural resources to meet the demand for goods in industrialized countries. Donors, and more recently corporations committed to sustainability, have used various strategies to halt this exploitation and depletion of natural resources. Most of these strategies have been directed at the source, working with local

governments to implement conservation policies and to empower community-based groups and businesses to introduce sustainable management methods. Some, however, have focused on influencing demand in the north.

*The Forest Stewardship Council.* The Forest Stewardship Council began as a collaboration between the MacArthur Foundation and the World Bank to increase demand for timber produced in a sustainable way. Philanthropic investments in conservation were failing to meet expectations. While sustainable forest management had been in place in numerous timber zones worldwide, the market pressure for wood, pulp, and paper products had overwhelmed whatever conservation progress they had made. Studies commissioned by the MacArthur Foundation in 1993 mapped the chain of production from forest owner through the end-use consumer. Taking into account both internal and external factors – the immediate business relationships and the global market demand – a working group supported by MacArthur designed a sustainable-forest-management matrix. This study identified points where strategic intervention could have the most leverage to improve resource conservation. The Foundation acted on the findings of this research to design a new strategic approach for funding. The objective was to invest philanthropic funds strategically in a model that had the potential to leverage funds several magnitudes of order higher from the capital markets. This approach thus integrated both a conceptual and revenue-generating outcome.

Simultaneously, the World Bank was being forced to respond to critics who charged that the Bank's large-infrastructure projects were contributing to the loss of tropical forests and the rich biodiversity they sheltered. MacArthur, the source of support for some of these critics, also used its philanthropic platform to engage the Bank in discussions. Within the Bank there were experts who had reached the same conclusion as MacArthur staff: site-specific remedies were failing to sustain conservation efforts in the face of cross-border commercial activity. While individual projects were successful, the net effect was too marginal to keep pace with the global demand for tropical hard woods in particular. Through a formal memorandum of understanding, a professional program staff person from the Foundation was seconded to the Bank. Then Bank President James Wolfenson made a public commitment to the initiative, and the two institutions set out to create a whole new market for sustainably harvested forest products.

In 1993, the funders launched the Forest Stewardship Council (FSC) to help institutionalize a certification process for wood products derived from sustainably harvested timber. This in turn fostered a trade association, the Certified Wood Products Council, with the aim of developing new markets. The stature of the FSC's founders permitted direct outreach to one of the most influential links in the global supply chain, big U.S. building supply outlets such as Home Depot, Lowes, and Anderson Windows. Each company was persuaded to develop niche markets for certified forest products. Simultaneously, buyers groups in Europe were cultivating demand for certified forest products there.

The Forest Stewardship Council is a case in which philanthropy facilitated a global shift in markets in a way that protects a public good. Over the past decade, demand for certified products has scaled up beyond the boutique level. In the last five years alone, the amount of land certified by the Forest Stewardship Council as being sustainably managed has increased by over 250%. Through FSC, philanthropic funds have been leveraged to create market incentives that protect the environment.

## **Building Coalitions Across Groups**

Globalization of the economy has led to the parallel development of a global civil society. Civil society organizations have learned to exploit the coalition-building capacity that globalization provides, even as the negative consequences of globalization serve as their organizing principle. Philanthropy has learned from its civil society constituencies to leverage its power to bring groups together within and across sectors. While government, commercial enterprise, and private investment remain the driving forces of globalization, philanthropy can help give citizens a voice in the process. Beyond giving voice, philanthropy can amplify citizen voices. In the context of globalization the role of philanthropy is critical to helping globalize civil society networks. In the recent decade of accelerated consolidation of power through the world trade regime, NGOs and citizen mobilizations have responded in creative and persistent ways to reclaim some space for public power. Often the roots of these tactical innovations come from social movements organized around a shared theme such as women's empowerment, environmental conservation, human rights, or peace.

There is a new opportunity for philanthropy to serve as the "glue" which binds global social actors together, deepening impact and broadening reach. The intersections among these social movements are irregular at best. While they can often be merged for solidarity purposes, ongoing strategic cross-fertilization of ideas and concerted action is often a goal that is out of reach. Philanthropy can put this catalytic convergence within grasp by making connections across sectors and issues.

Coalitions can be constituted exclusively of CSOs or they can cut across sectors to build alliances among NGOs, citizen groups, private companies, and governments. Sometimes these multi-stake-holder approaches include funders as actors. Foundations have a significant advantage in helping the processes of coalition formation. By virtue of their wealth and their mission-oriented practice, they have legitimacy and clout that commands attention. When donors call a meeting, people come. When donors provide incentives, grantees usually cooperate. The following examples show how philanthropic support for cross-border and cross-sectoral coalitions have prompted governments into action and set new standards for corporate social responsibility.

### ***Intervening in Government: Global Conferences and National Plans of Action***

The 1992 UN environmental conference (the "Earth Summit") in Rio de Janeiro demonstrated the powerful influence of the parallel NGO Forum at UN conferences and served notice to all future UN conferences to pay attention to civil society. An International Conference on Population and Development (ICPD) was planned for Cairo in 1994, with UNFPA (the UN Fund for Population) as the lead organizing agency. Given that controversial issues of reproductive health and women's rights were at the core of the Conference, UNFPA leaders were concerned that civil society organizations would create even greater discord than in Rio and make it impossible to achieve any consensus among governments.<sup>2</sup>

*Preparing for Cairo: the UNFPA and Civil Society.* If the Cairo conference were to succeed, there needed to be as much agreement among the actors before the conference as possible. With the help of the International Worker's Health Coalition, a collaborative group of a dozen U.S. funders with programs in population, development, human rights,

and women's health issues met with the Director of UNFPA, Nafis Sadek, and her deputy in the year preceding the conference. In meetings that participants have called ground-breaking, the group considered ways to view the civil society interests as politically useful to the UNFPA. The funders acted deliberately as mediators, recognizing both the emerging power of their grantees and the opportunities for elevating grantee profiles with their own governments. They defined ways in which this broadly representative, well-informed, global constituency could be allies to UNFPA in the effort to persuade governments to address population policies more openly and progressively. This led to a fundamental shift in the way the governmental conference organizers perceived the civil society groups.

In a parallel effort, a few of the same funders who supported the meetings with UNFPA subsequently hosted a meeting of CSOs addressing population, health, women, and the environment in Brazil. These groups were frustrated by the differences among them that threatened to divide them en route to Cairo. They sought a forum, mediated by the presence of philanthropic supporters, to identify shared interests among opposing positions. In this mediation, the funders were responding to anxieties among their grantees. At the meeting, alternative goals and competing strategies were debated. A consensus emerged among the 80 or so groups to transform the message from the one supported by fundamentalist sources worldwide, which was viewed as guaranteed to inhibit both discussion and action.

Large international donors such as Ford and MacArthur then adopted a specific grant-making strategy to fund coalitions and networks of CSOs working on different themes such as universal education, infant, child, and maternal mortality, and reproductive health care including family planning, assisted childbirth, and prevention of sexually transmitted infections such as HIV/AIDS. They also funded groups in carefully selected countries throughout the world to enable them to place pressure on their governments to support the reproductive health agenda.

In these preparations for the Cairo Conference, foundations served many functions. They were conveners between government and United Nations officials on the one hand, and civil society on the other. They were funders of civil society organizations, enabling them to participate in these negotiations. Foundations also supported the collaboration of civil society groups before the meeting, so that they could arrive in Cairo with as much agreement about substance and strategy as possible. The impact of these complementary efforts was considerable. Civil society, working with the UNFPA and governments, helped to shape the 20 year ICPD Programme of Action, ensure that HIV/AIDS was openly discussed, and gave visibility to widespread gender inequality and the use of violence against women. The Conference placed women's issues at the center of the development agenda.

### ***Intervening in the Market: Corporate Accountability and Global Standard-Setting***

Foundation support has helped organizations promoting corporate responsibility build coalitions across sectors. In response to consumer demands in the 1990s, corporations realized that they had much to gain by working with civil society groups to address environmental and labor rights issues. Some civil society groups welcomed the opportunity to work with corporations to set standards and monitor their implementation. One of these is the Global Reporting Initiative.

*The Global Reporting Initiative.* The Global Reporting Initiative (GRI) sets global standards for transparency and reporting on corporate social and environmental practices.

Designed from its launch in 1997 to support a “multi-stakeholder” process, GRI is a coalition of private companies, governmental representatives, and civil society groups from professional, environmental, labor, and human rights communities, as well as donors. The donors’ participation helped address some of the complex challenges of such a global coalition model and also helped mediate among the various sectors.

From idea to operation, GRI has moved with noteworthy speed. It benefited from the prior organizational experience of its founders and from early philanthropic support. The leadership for GRI came from the Coalition of Environmentally Sustainable Economies (CERES), founded in 1988. CERES used the vehicles of socially responsible investment and public pension funds to provide incentives for environmental sustainability. This incentive-based approach took on new meaning in 1989 after the Exxon Valdez oil tanker ran aground in Alaska. CERES issued ten CERES Principles, a voluntary code of environmental conduct for companies. Some CERES funders (MacArthur) and new supporters (the UN Foundation and the UN Environment Programme) provided significant initial financing for GRI and helped it get off to a fast start.

GRI addresses the current confusion created by the multiple and non-comparable approaches used by corporations and civil society groups to define and evaluate the “triple bottom-line”—the economic, social, and environmental impacts of business reporting. It has self-consciously set itself up to act collaboratively in every decision, from the organizational mission and the reporting of standards to governance and financing structures.

The GRI Sustainability Reporting Guidelines were developed over a course of open consultations held in several regions of the world. The guidelines are increasingly being adopted by private companies (e.g., Anglo American (mining) in the U.K. and South Africa, Ford Motor Company in the U.S., Matsushita/Panasonic in Japan), and even national governments (e.g., New Zealand). The industry sectors covered range from chemical and pharmaceutical to food service and retail, from transportation and utilities to agriculture and financial services. There are now nearly 1,000 entities across a range of sectors using GRI reporting standards, signaling its emergence as the leader in non-financial accountability reporting. The data from these reports are compiled in an on-line database, making access to these assessments available to many thousands of reviewers.

GRI continues to derive its legitimacy from a transparent and participatory process. It remains committed to maintaining the currency of the reporting guidelines and to providing them as a public good. To perform such maintenance and expand the reach of their use, GRI has developed a business model to diversify the sources of its support. With a combination of membership revenue, project support, the introduction of new fee-for-service programs, and continued charitable contributions, what foundations alone launched an array of diverse sources nurtures.

GRI worked because the founding groups recognized what was needed. They knew that unless the funding was from an independent source the collaboration between environmentalists and corporations could not work. Donors also understood that the effort had to succeed from the outset, and that meant that the funding had to be sufficient. Based on CERES’s track record, donors knew and trusted the grantee. Corporations welcomed the chance to involve thoughtful civil society groups in creating an independent standard, since they understood that standards set by corporations alone would have little credibility. They had confidence that the leadership of GRI understood the issues they faced in the field. The environmentalists knew that because foundations were providing the funding, corporations would not have leverage over the work of GRI. They knew, too, that the companies ultimately determined what happened in the field. All the groups knew that they needed each other.



## Coordinating a Funder Strategy

Sometimes a funder is “first in” and brings others along. In other cases funders work together from the start to develop a joint or complementary funding strategy. When the goal is to influence government policy or the market, a coordinated approach among several funders is a powerful, though underutilized, tool. Working together, foundations have built coalitions that have mapped out multi-year plans to build capacity for addressing a target issue and gathering momentum toward a concrete goal. These donors have demonstrated willingness both to take the risk early on and also to sustain funding over a period of years to allow the coalition to accomplish its goals.

This collaborative approach appeals to funders. For one thing, it produces the “safety in numbers” effect. Many of the foundations explicitly working to support civil society are frequent collaborators (such as Ford, MacArthur, Rockefeller, and Carnegie) for whom the acknowledged practice of leveraging each other maximizes funds while reinforcing commitment. Ultimately, the aim is to ensure the success of stated goals.

### *Intervening in Government: Making International Treaty Law*

*The International Criminal Court.* The establishment of the International Criminal Court (ICC) is largely the result of a global campaign that attracted donors with the common goal of building a civil society movement on behalf of a new international instrument of justice. In this case, the early funders agreed to stay the course and leveraged their commitment by bringing additional donors along. More NGOs than governments were represented in 1998, when the United Nations Conference of Plenipotentiaries on the Establishment of an International Criminal Court approved the treaty to establish the court. The NGOs were able to participate because a number of philanthropic institutions recognized the timeliness and significance of global treaty-making to enforce international norms and realized that only civil society could create the international constituency required to persuade governments to support the Court. The three largest private funders of human rights in the U.S., the Ford Foundation, the MacArthur Foundation, and the Open Society Institute, were key contributors, along with international aid agencies, several European countries, and Canada, to a formal coalition of civil society actors. Smaller countries and other private funders, including some individuals, followed suit.<sup>3</sup>

The ICC came into being in July 2002, when the 69th country ratified the 1998 Treaty of Rome. (Signatories to the Treaty now number 139 states, of which 100 have ratified the Treaty by law.) The first steps on the path to establishing the Court were taken in early 1995, at the United Nations in New York, when the UN agreed to a proposal to convene a formal conference to discuss the merits of a criminal court with international jurisdiction. A series of preparatory conferences was scheduled. A group of advocates for human rights, peace, and the rule of law formed an NGO coalition. The Coalition for the ICC (CICC) set as its task informing the UN and its member states about the importance of creating the first permanent international criminal judicial institution: a new institutional mechanism with the power of enforcement through prosecution and coordination with national law enforcement bodies.

Civil society groups mobilized networks that reached far across the globe through such principal coalition members as Amnesty International, Asociación Pro Derechos Humanos, European Law Students Association, Fédération Internationale des Ligues des Droits de l’Homme, Human Rights Watch, International Commission of Jurists, Lawyers



Committee for Human Rights, No Peace Without Justice, Parliamentarians for Global Action, Rights and Democracy, Women's Caucus for Gender Justice, and the World Federalist Movement. The CICC designated the World Federalist Movement in New York as its secretariat and organized itself into committees that monitored the process and intervened according to subject area. Some coalition members concentrated on evidentiary rules. Others reported back to CSOs and governments. The CICC published the *ICC Monitor* quarterly in three languages (French, English, and Spanish), hosted a monthly e-mail based list-serve, and posted resources on its website. "Tool kits" were devised to help local groups promote public debate and encourage their governments to ratify the treaty. Some members worked in teams country by country to help draft the enabling legislation that would allow the international treaty to take force. Foundations and sympathetic governments supported these activities. One lesson to take away from the philanthropic role in the ICC is that the mobilization of civil society can empower individual states to contribute to global change.

Since the Treaty has become law, the CICC, which now counts more than 2,000 groups as members, continues to build public awareness, advise on the rules of procedure for the permanent Court, and monitor the processes for all Court functions. The immunity provision that the U.S. continues to demand for its military personnel as a condition of ratification remains another focus of the CICC. In 2004, the Republican-dominated U.S. Congress attached an amendment to the omnibus appropriations bill withholding foreign aid to any country that has ratified the ICC Treaty, but does not have a bilateral agreement with the U.S. exempting its citizens and military personnel from jurisdiction of the Court. The Coalition is challenging the legality of such bilateral agreements to claim immunity as a violation of international law.

Global civil society networks pressured governments to support the court in spite of the opposition of the United States. They influenced every stage of the development of the treaty language and are helping to shape the Court's operating procedures. For the first time, all citizens of nearly every country have access to an international instrument of justice with the power to enforce human rights laws. Governments, civil society, and funders worked together to support the establishment of a new institution. One additional lesson of the ICC lies in the proof that an entirely new international organization can be created in a relatively short time (in this case, about 10 years). There may be more new institutions that need to be invented, such as a civil version of the ICC to resolve non-criminal disputes (such as unfair competition, fraud, and abuse).

Some funders can foresee that a coalition among donors will have a "multiplier effect" in forging a broad global coalition of civil society groups. Funders are also attracted to activities that have measurable outcomes and in this case concrete milestones. The funders that supported the civil society groups that worked on the Mine Ban Treaty were attracted to that issue for similar reasons. In areas where the actions necessary for implementation are less clear and outcomes are less easy to measure in the short term, it is harder to set up broad funder coalitions.

### ***Intervening in the Market: Institutionalizing Global Philanthropy***

*The Funders Network for Trade and Globalization.* Funders have also collaborated to influence the private sector and trade policy. The Funders Network for Trade and Globalization (FNTG) was established in the late 1990s by the environmentally minded members of the Consultative Group on Biodiversity (CGBD). This group of North

American and European donors and their worldwide grantees studied the impact of international trade agreements on the depletion of natural resources and associated dislocation of people and other species. They increasingly came to understand that the role of multinational corporations on the one hand, and the practices of international rule-making on the other, needed to be addressed at a global level.

A series of grants made by members of the Consultative Group and others supported research and education on the accountability to human and environmental security of the World Trade Organization (WTO), the World Bank, the International Monetary Fund, and other international financial institutions. Many of these grantees, and some donors, too, participated in activities in Seattle in December 1999 in conjunction with the meeting of governments for the Ministerial Round of the WTO. The dramatic confrontations in Seattle, where diverse civil society groups challenged the lack of public accountability in the trade negotiations, shook the world. The terms “globalization” and “anti-globalization” became commonplace in the lexicon, even as their definitions remained imprecise.

Funders saw immediately that global networks of civil society groups from different countries working together on different issues were going to shift the debate about globalization. They began to look more strategically at this sector’s capacity to engage directly with the public and private sectors at the global level. In a series of funder consultations throughout the year 2000, a self-selected group of donors representing institutions of various sizes, types, and philanthropic emphases sought to educate themselves about what this meant. What influences might they bring to bear? What role could funders play to make sure that more people benefited from globalization?

At the end of the year, the group had formally constituted itself as the Funders Network on Trade and Globalization. A volunteer Steering Committee was created and funds were contributed to hire a fulltime coordinator. The FNTG has gone on to be a resource for grant-makers and grant-seekers to learn about trends in, and alternatives to, corporate-driven government policy-making. The Network organizes briefing sessions and hosts delegations to global trade meetings where funders can see how different stakeholders balance the priorities of economic progress with democratic participation and government accountability. Understanding the impact of globalization is complicated. There is no shared view about the best way to ensure that more people benefit from the new high-speed flows of knowledge and resources across borders. Foundations wanting to promote systemic change need first to understand as much as possible about globalization, and certainly the most efficient way to do that is in a collaborative effort. The Funders Network on Trade and Globalization works on this principle. It routinely schedules teleconferences on topical subjects to brief members and permit an exchange of reports on their priorities and limitations. This creates the potential for more concerted grantmaking, both to fill gaps and to pool funds for grater impact.

### **Lessons from the Frontline of Global Philanthropy**

The examples in this chapter are stories of successful philanthropic interventions in complex issues that emerged after the Cold War, at a time when the global balance had shifted and flows of money, people, and ideas around the world were changing everything, from the way the goods were produced to the way diseases were transmitted. The combined power of governments and multinational corporations is enormous. Many

multinational corporations have revenues greater than many countries. It is the civil society sector that is challenging these sources of power, demanding accountability and fairness. Funding for civil society groups, particularly those involved in human rights work and other activities that, by their nature, challenge corporate and government power, must come from private sources. Organized philanthropy is a crucial source of funds for groups engaged in strategic efforts to promote systemic change.

*Innovate.* As these examples demonstrate, donors have used different strategies to give voice to citizens who have not enjoyed the benefits of globalization. Because there was no group assessing government corruption at both the global and local levels, funders joined to support a new organization, Transparency International. Like TI, the Global Reporting Initiative is developing measurements that can provide comparability across boundaries, in their case for the environmental and social practices of companies. In both of these examples funding made possible new groups that were able to create tools that have global applications. Next on the horizon might be the creation of an International Civil Court or a way to combine technology and local control to track the human rights conditions of all workers in the global supply chain through each product they produce.

*Integrate.* To be effective, civil society must work at the local, national, and global level. The Chinese Working Women's Network is a local constituency-based organization that focuses on workers. It was strengthened by donors from outside China. Influencing governments and multinational corporations requires networks with a global reach, and donors have forged coalitions of actors across different sectors. The work in preparation for the International Conference on Population and Development and the establishment of the Global Reporting Initiative both demonstrate the ability of philanthropy to bring government, private companies, and citizen groups together. When funders recognize the capacity of civil society to organize itself and challenge both the public and private sectors, they can act as the levers to transform big ideas into action. They also need to be realistic about countervailing pressures that will require long-term giving.

*Collaborate.* Funders understand that strategic integration of their funds with others enhances the power of their investments. Some funders can be initiators, others can join to meet a certain milestones and then exit, and still others can dedicate themselves to serving as catalysts for philanthropic shifts, which can require funding for over a decade. The International Criminal Court and the Funders Network on Trade and Globalization capture all of these approaches for effective global philanthropy. As assets shrink, interaction with other funders is more important. Many funders feel that they cannot commit to large global issues alone, but can have an impact when working with others.

*Foster Leadership.* On a practical level, there are some important lessons from global philanthropy as practiced to date. Creating the space for talented and visionary leaders may mean that donors cannot set the agenda. They must not inhibit creativity or preclude serendipity by prescribing themes too narrowly or relying too heavily on results-based outcomes. Donors are facilitators. They do not do the work themselves; their success depends on the quality of the grantee. In each of the examples, it was effective leadership at the grantee institution that ensured the success of the project.

Successful leaders can have quite different styles, but virtually all good leaders have a sense of timing, a sense of the likelihood of the initiative being able to gather support. Good leaders both have a vision and a strategy for moving toward that vision, and they build institutional capacity. The history of philanthropy is filled with stories where such leadership was lacking. And yet, sometimes funders persisted because the idea was good and they wanted it to work. In each of the examples used in this paper there was strong

leadership – an individual or a team of individuals – who ensured the success of the project.

*Face Remaining Challenges.* While the examples in this chapter have been selected to demonstrate some ways in which philanthropy in the age of globalization can effectively and economically influence progressive social change on a global level, many challenges remain. How do you overcome the lack of measurable indicators and closure points for problems such as environmental degradation resulting from mining and extraction industries that stay operational for 50 to 100 years? How do you determine the balance of support between international CSO actors and community-based ones? How do you take a successful approach like the Forest Stewardship Council and scale up its impact? How do you ensure the sustainability of a social change strategy when the spotlight has moved on to a new global crisis? How do you recognize and counteract industry-sponsored “alternatives” that aim to weaken standards in the guise of providing choice?

It is also important to recognize that philanthropy has its stories of missed opportunities, too. If foundations had supported groups that were trying to point out some of the negative effects of globalization in the mid 1990's, would the current debate be better informed, and would some of the most negative effects been moderated by better policies? Could foundations have done a better job of strengthening local institutions and capacity-building in poorer countries so that these countries could have been more effective in voicing their concerns about the impact new trade rules have on them—and about the double standard some industrial countries use while claiming to support free trade? Could funders have done more to support those countries willing to invest in AIDS prevention? And who, besides donors, can bring attention to “orphan issues?” Measles still kills more children in Africa than AIDS, and yet one rarely hears mention of measles. Are donors so bound by guidelines that they invent, that they miss opportunities to take advantage of special circumstances? Do they use their freedom and independence wisely or are they too likely to be like lemmings and fund the “fashion” of the moment?

In the immediate post-Cold War years, philanthropic concentration on Russia and the Former Soviet Union was critical to stabilizing the civil sector in that region and providing the space for more independent thought and public accountability. What about the future? If Afghanistan and Iraq are the Kosovo and Rwanda of today, who will it be tomorrow? Congo, Haiti, Indonesia, and Russia are all possibilities. When the spotlight of conflict and humanitarian relief moves on to the next crisis, it is philanthropy that, looking ahead, can be ready to fill the gaps for the rebuilding of civic culture and democratic institutions.

Finally, donors need to be clear about the nature of their commitment. Many of the examples in this chapter are new organizations. But are they sustainable over time, and what obligations do donors have to institutions that they begin? While a few projects and programs will never be free of foundation funding, donors must temper their commitment over time with a conscious effort to avoid dependency in grantees. One route to facilitate strong institutions is to invest in their organizational infrastructure. Grants made for core support give grantees the flexibility to sustain themselves from project grant to project grant. General support allows the “thinking” time and innovation for building on previous work. It also covers the gaps that invariably exist in project-specific funding to cover the basic administrative overhead that often undermines the operational sustainability of an organization.

This grantmaking approach also helps prepare an “exit strategy” for a donor. The more sustainable an institution becomes, the sooner donors can shift their support to

ensure other strong institutions follow. There are different barometers for judging when it is time to move on, including concrete outcomes. The ICC or the ICPD offered fixed achievement points. Other decisions to cease a funding strategy may be based on how successfully a donor has leveraged other donors. Once new money has come into play, it frees up early funders to take on new challenges. Ultimately, those decisions based on signs of progress – not so much “success,” but demonstrable change in the direction intended – are the most responsible choices. Is the market for sustainably harvested wood products growing? Is reporting on corporate accountability and government corruption leading to responsive changes in policies and practices?

If the answer to questions such as these is “yes,” donors can address the question of sustainability. If the answer is “no,” then it is incumbent on the donor to explore why. Is the work never going to obtain support from other sources? Is this a program that should be scaled up and taken over by government? Or was it the wrong idea at the wrong time?

But most significantly, the donor needs to ask whether the work is important and if it is, ensure that other resources are available before moving on. For only private donors can support the vibrant civil society that represents the interests of citizens in the globalization process. Without popular institutions to fund, philanthropy has no agency for its investment. Without philanthropic investment, the organizations that represent villagers and low-wage workers, women and children are less likely to be heard.

## Conclusion

The role of philanthropy in globalization is, in some ways, not so very different from its role elsewhere. Global problems may be large and complex, but they can be addressed at many levels, from global to local, and relatively small amounts of strategically targeted funding can lead to significant change on a large scale. Systemic change is usually the result of pressure from a number of sources, both grassroots and international. Sometimes new organizations are needed; sometimes existing organizations can be strengthened. Sometimes collaboration across sectors offers advantages; sometimes one sector needs to stand apart and speak with a distinct voice.

The art of effective philanthropy is figuring out which approach is best suited to produce the best result in a particular situation. This requires experience, a willingness to listen, judgment, and a clear philosophy. One-size-fits-all philanthropy will never work, and this is true globally as well as locally.

Private social investors have a number of advantages over other global actors. Donors can be flexible. They do not have quarterly bottom lines to meet or electorates to face. They can take risks; they can fail. They can be controversial, taking on issues which governments will not deal with. They can be consistent over time, setting up projects they will support over long periods if necessary. And they can move quickly. They can be catalysts for action. Foundations also have an important role as conveners, providing a neutral space where stakeholders can meet to explore common ground. Whether following the lead of actors on the ground or creating the conditions for innovation, philanthropy provides momentum for global social change and often confers legitimacy upon it. For this reason, philanthropists have a responsibility to ensure that the civil society groups they fund are also accountable not only for the honest use of funds but for the way they conduct their work.

Being opportunistic is a luxury that philanthropy can afford. When a world-changing event occurs, like the acts of terrorism on September 11, 2001, philanthropy can move fast to dedicate funds to asking “why?” and “what do we do about it?” While other sectors of society put out fires and seek perpetrators, philanthropy can probe the historical roots of conflict, identify the sources of social cleavage, and support systemic reform. This advantage works not only in reacting to global events, but also in anticipating them.

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## Endnotes

- <sup>1</sup> The sources for these examples come primarily from first-hand accounts of the authors themselves, or through interviews with principal actors. Supplementary data comes from the grantmaking records of the referenced foundations and documentation of grantee organizations. All data are current through June, 2006. A list of references where further information can be found in above References section.
- <sup>2</sup> This example borrows from “Global Giving”, an essay by Adele Simmons published in *Just Money*, The Philanthropic Initiative (TPI), 2004. We wish to acknowledge TPI as the original source for this discussion.
- <sup>3</sup> This example also borrows from “Global Giving” by Adele Simmons, published in *Just Money*, TPI, 2004.



## THE GLOBAL AND LOCAL DIMENSION

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Dan Nielsen

### Introduction

As a result of the increasingly interconnected world in which we live, it has become far easier for problems that may have previously remained localized to become global in nature, and vice versa. Diseases that spread from person to person can infect diverse populations in a highly mobile world. Environmental degradation can occur in response to global demand for natural resource materials as well as pressure from indigenous communities. Understanding the local and global dynamics of some problems is a helpful step in effectively addressing them. Do the problems stem from local actions, global pressures, or both? What is the relationship between local and global activities? Who are the other players, what is their capacity, and do they operate on a local, regional, or global level?

This paper presents three examples of problems with global and local dimensions and ways that philanthropy has strategically addressed them. Many health issues are particularly notable for straddling the global/local divide due to the huge investments required to develop and manufacture medicine and vaccines, yet the need for local delivery. The first example depicts how Rotary International has worked simultaneously at the local, national, and transnational levels over the past 18 years to rid the world of polio. The second describes the efforts of the Bill and Melinda Gates Foundation working at the global level to develop vaccines for malaria and AIDS. The final example addresses the environment through discussing the John D. and Catherine T. MacArthur Foundation's grant-making strategies for conservation and sustainable use, in effect addressing a subset of a global problem on a local and regional scale.

The central lessons of these examples are that philanthropy can be most effective when it takes into account the global and local aspects of a problem and when it matches its resources and abilities to existing needs.

### Rotary International and the Fight to Eradicate Polio

Founded in 1905, Rotary is an international community-based organization with more than 31,000 clubs in 167 countries. Global membership exceeds 1.2 million people. While



traditionally focusing on local service projects, Rotary in recent years has expanded its scope and leveraged its worldwide resources to address pressing global issues on a local scale, including the environment, illiteracy, population, and sustainable development. Rotary is perhaps most well-known for its global campaign to eradicate polio from the planet.

Polio most often strikes children. Half of all cases are children under the age of three. Polio destroys motor neurons that control muscle movement, frequently causing paralysis in the legs. More severe cases affect the motor neurons of the brain, resulting in difficulty breathing and swallowing. There is no cure for polio.

In the 1950s, two vaccines were developed that provided effective immunization against polio. By the end of the 1960s, polio was largely eradicated from the industrialized world. It remained a problem in developing countries, however. In 1988, an estimated 350,000 children in 125 countries around the world were afflicted with polio.

Rotary's involvement with polio began at the grassroots level. In 1979, at the behest of a Filipino Rotary club addressing a need in its community, Rotary International spent \$760,000 to purchase enough vaccine to immunize the Philippines' six million children. At the time, the Philippine government was too poor to purchase the vaccine itself. In addition to financial support, Rotary's network of volunteers played a critical role in transporting and administering the vaccine.

Historically, every Rotary club has acted on its own and carried out service projects independently. Chem Renouf, then President of Rotary International, determined that Rotary had the ability to address larger-scale problems through mobilizing its vast membership to focus on common projects. Rotary members could serve, on a global scale, as a source of substantial funding as well as a vast volunteer base, thus playing a role that governments, public organizations, and private foundations were not qualified to. On the heels of the World Health Organization's successful eradication of smallpox for \$100 million, Renouf was confident that Rotary could have a significant impact on people's lives around the world through polio vaccination programs. Over the next four years, Rotary conducted successful national-level immunization campaigns in Haiti, Bolivia, Morocco, Sierra Leone, and Cambodia. This was Rotary's first top-down, club-wide project. In 1985, Rotary stepped up its efforts through the launch of its PolioPlus campaign, an effort to immunize every child on the planet. Over the next three years, Rotary raised \$247 million towards the campaign.

When Rotary declared its intention to eradicate polio and the amount of money it had raised, it affected the policies of other organizations that were addressing the disease. By 1985, the World Health Organization (WHO) had begun focusing on containment strategies instead of eradication, and HIV was gaining prominence, stealing attention and resources away from polio projects. The eradication of polio was viewed as too expensive and too complex to be successfully completed. Rotary's announcement changed opinions. Not only was a significant sum of money committed to the effort, but a vast network of engaged volunteers as well. A critical mass of funds and energy was reached. As a result, at the World Health Assembly in 1988, 166 nations committed themselves to the eradication of polio by the year 2000.

Impressed by Rotary's efforts and resources, WHO invited Rotary to form a partnership with itself, UNICEF, and the CDC. This marked a significant shift in thinking on behalf of the public organizations, and it represents the first public-private partnership of its kind. Rotary serves as the volunteer arm of the partnership, providing the manpower necessary to raise funds, mobilize volunteers, and deliver and administer vaccine around the globe. Over the past 26 years, Rotary has leveraged its vast membership to organize

over 10 million volunteers to publicize National Immunization Days, transport and distribute vaccine, and monitor areas for reoccurrences. In January 2001 over 150 million children in India were vaccinated in a single day, a massive undertaking requiring careful coordination and several hundred thousand volunteers. In Cambodia, groups of children living on rivers were repeatedly missed during vaccination campaigns. To reach those children, Rotary volunteers and health officials conducted a boat-to-boat immunization drive. Recently, volunteers in Yemen have been hoisted up in baskets to immunize children in remote, cliff-top villages.

The number of people and the global coordination necessary to pursue worldwide eradication are significant. While Rotary was able to directly assist with the former through its large international membership, ensuring the campaign was well managed and as effective as possible required specific expertise that Rotary recognized it did not possess. To coordinate the polio eradication campaign, the Rotary Foundation awarded a grant to the World Health Organization to support a group of polio experts who oversee immunization efforts and monitor outbreaks.

Rotary is a highly decentralized organization made up of community-based clubs. The funding of Polio Plus is based on a bottom-up, grassroots approach where each club is given significant freedom in deciding upon fundraising strategies. Clubs have held raffles, sponsored world record-breaking events, organized concerts and sports competitions, and solicited donations from members and local businesses. Rotary International's website provides clubs with standardized materials including brochures, press kits, and reporting forms, as well as fundraising and publicity ideas.

In 2002, to reinvigorate the eradication effort and to help fill a funding shortfall, Rotary launched a 12 month campaign to raise an additional \$80 million. They exceeded their goal by almost 40 percent, and by mid 2005 had raised \$135 million. Contributions were made by over 20,000 clubs throughout the world. Rotary has been able to leverage a massive number of small donations in order to become the single largest funder of the global eradication campaign, contributing approximately 25% of \$1.9 billion.

Despite its considerable human and financial resources, Rotary realized that a successful eradication campaign would require the support of organizations, governments, and individuals from around the world. In the early years of Polio Plus, Rotary established groups of core volunteers in several countries and linked those groups with health ministries and other organizations. Rotary members have encouraged leaders in countries where polio is endemic to sustain high immunization levels and to adopt polio eradication strategies based upon WHO guidelines. Rotary volunteers have coordinated efforts with national health officials to maximize the effectiveness of National Immunization Days and to improve surveillance for new cases.

Ensuring that governments and private businesses are aware of the importance of the eradication effort and its progress is one means of promoting contributions to the Global Polio Eradication Initiative. A task force that was launched in 1995 to target donor governments for additional funding raised more than \$1.5 billion. A joint initiative with the United Nations Foundation to raise funds from the private sector has resulted in more than \$100 million since 2000.

Improving public awareness of the campaign has been crucial. In the industrialized world, the general public is a source of funds as well as a constituency for politicians who make decisions about international economic assistance. In polio-endemic countries, education programs are an important means of motivating vast numbers of people to get inoculated on the same day and of assuaging reservations people may have about the vaccine.

The Polio Eradication Champion Award was started in 1995 to bring still further awareness to the eradication effort. The award has been effective in enhancing publicity for the campaign while rewarding those who have made significant contributions. Past recipients include Kofi Annan, Secretary-General of the United Nations, President Pervez Musharraf of Pakistan, President José Eduardo dos Santos of Angola, and Gro Harlem Brundtland, former Director-General of the World Health Organization.

Due largely to Rotary's efforts, in 2001 there were only 480 cases of polio in the world, a decrease of more than 99.9% from before the campaign began. Over the past two years, there has been an increase in global cases of polio (over 1,000 cases were reported in 2004). Failing the complete global eradication of polio, children born after a country has been certified polio-free and immunizations have ceased remain at risk. In 2001, Yemen was certified as polio free. In 2005, over 450 Yemeni children were infected by a strain of the virus that originated in Nigeria. At the end of 2005, ten countries that were previously certified as polio-free have been re-infected. An additional six countries have never been certified polio-free: Afghanistan, Egypt, India, Niger, Nigeria, and Pakistan.

As the campaign nears its end, Rotary continues to raise funds through its membership and through advocacy efforts to the public and private sectors. Responding to the changing needs of the campaign, however, Rotary is currently focusing its efforts on supporting monitoring efforts in endemic countries around the world through funding laboratory expenses, research, and healthcare training to, in part, recognize when outbreaks occur. Rotary has played a pivotal role in maintaining a global focus on polio and ensuring the campaign is carried through until completion. As the cost per remaining case has risen, Rotary continues to argue in favor of eliminating polio completely from the planet.

When Rotary first adopted polio eradication as an organization-wide project, many Rotary traditionalists were opposed. Rotary clubs had always focused their service projects on local communities. Eliminating polio was larger and more complex than anything Rotary had attempted before. Adopting the campaign required a fundamental change in how Rotarians viewed themselves and their mission. Selecting polio as the disease to eliminate was strategic in that, in 1985, the average age of a Rotarian was 55, old enough to remember polio summers and Franklin D. Roosevelt. Polio was a disease that many Rotary members could relate to. In addition, there was a clearly defined goal (eradication), and progress towards that goal was easily quantified. The large manpower requirements of the campaign gave millions of Rotarians opportunities to travel abroad and witness first-hand the effects of their efforts, providing positive feedback that deepened their commitment.

Maintaining such a massive effort involving so many people and such a long period of time requires strong leadership. Since all of Rotary's elected offices are for one-year terms, this was a potential weakness for Rotary, but one that has been largely circumvented. Rotary spent the first year of its campaign educating its members, which helped ensure a wide commitment. Throughout the campaign, Rotary has effectively balanced its role as an international organization and a central coordinator with allowing individual clubs to operate independently on a local level.

## **The Bill and Melinda Gates Foundation and the Search for Vaccines**

Bill and Melinda Gates have been addressing issues of global health through their foundation work since 1994 when they established the William H. Gates Foundation. In 2000, the William H. Gates Foundation and the Gates Learning Foundation merged to create the Bill

and Melinda Gates Foundation. Since its inception, the Gates Foundation has awarded over \$5 billion in grants through its global health program, a large portion of which supports the development of vaccines and works to ensure their delivery around the globe.

Throughout the developing world, children fail to receive basic vaccines that could save 1.4 million lives a year. At the same time, new vaccines that are widely available in the developed world, including hepatitis B and yellow fever, remain inaccessible to many children in poor countries. Malaria and HIV, for which no vaccines exist, claim 3.7 million lives each year.

The Gates Foundation believes that preventing disease through the use of vaccines is “a straightforward healthcare bargain” whose economic benefits far outweigh the drugs’ costs. They have adopted a multi-pronged approach that ensures drugs are affordable, that adequate delivery mechanisms exist, and that new vaccines are developed and quickly made available to those most in need. As a small, independent entity with vast financial resources, the Gates Foundation is in the unique position of being highly flexible, able to pursue high-risk initiatives, and leverage its resources to influence other players and to catalyze the formation of cross-sectoral partnerships. Prior to the Gates’ efforts, funding for malaria and HIV vaccine development remained relatively small, particularly when compared to their death tolls.

Currently there are approximately 40 million people infected with HIV, 95% of them in developing countries. In 2004, an estimated 3.1 million people died of AIDS, almost one every 10 seconds. One-sixth of those were children under the age of fifteen. The global rate of new infections continues to increase as the disease spreads to countries such as Russia, China, and India.

Each year, between 300-500 million people become infected with malaria. More than one million people die each year from the disease, the vast majority in Africa. For African children under the age of five, malaria is responsible for one out of every four deaths. In Africa, the cost of malaria is estimated to be \$12 billion in lost productivity and treatment costs. Increasing resistance to common anti-malarial drugs is leading to higher infection rates. New, more effective drugs are often prohibitively expensive.

Currently, no vaccine exists for AIDS or for malaria. Despite the urgency of the problem, since the highest burden of these diseases falls on the developing world, market incentives do not exist for developing and distributing a vaccine for either illness.

Both malaria and HIV/AIDS are by nature local problems. Malarial transmission occurs from the bite of an infected mosquito, and HIV is most commonly contracted through unprotected heterosexual sex. The scale of the diseases is so large, however, that they have become national- and regional-level crises. Global resources, financial as well as intellectual, must be marshaled in order to address them.

Despite the size of the Gates’ financial support, the real power of their gifts comes from serving as a catalyst, from their ability to leverage their gifts to affect other players and policies. There exist considerable political, social, and economic obstacles that inhibit increasing funding for vaccine research which will mainly benefit the world’s poor. Even for the generously endowed Gates Foundation, funding the successful development of a vaccine for AIDS or malaria is unlikely when working alone. Rather, it requires the forging of partnerships with other institutions in order to leverage funding and research and to motivate critical players. As an independent entity, the Gates Foundation is able to convene participants from various sectors in order to forge collaborative solutions. The Gates Foundation has targeted a significant portion of its funding to alliances that involve representatives from academia, public institutions, and private enterprises.

Supporting such alliances is crucial if an effective solution is going to be developed quickly. Various independent research efforts are currently underway. To promote the speediest development of new vaccines, a collaborative approach is necessary, one that encourages the sharing of data and expertise. Incorporating diverse participants ensures that the latest thinking is included in any efforts. Coordination ensures that as many leads as possible are pursued, and that promising candidates are developed and tested as quickly as possible.

The Gates Foundation is also working to make sure that any potential vaccine incorporates the results of various development efforts. Through supporting alliances, the Foundation is helping to overcome various patent hurdles, thus ensuring that a new vaccine is as effective as possible. For example, a new malaria vaccine might include several patented antigens from potentially competing sources. A single vaccine that inoculates against more than one strand of the parasite is cheaper and easier to administer than multiple vaccines for the same illness, and is thus more likely to have a quick impact on victims' lives. As a neutral organization the Gates Foundation is better able to guarantee the equitable distribution of any resultant vaccines.

The independence of private foundations enable them to better appreciate the constraints of various players, such as short time horizons, profit motives, and legitimacy, and broker solutions that ensure the proper incentives are in place to motivate participants. For example, barriers such as a perceived lack of a profitable market might be overcome by proving that there will be a sufficient demand for the new drugs. This may entail establishing that adequate distributive mechanisms are in place to reach those in need of the new vaccines, and that funding will be available to pay for, or to subsidize, the purchase of the drugs for those unable to afford them.

In 2004, the Gates Foundation and the Rockefeller Foundation established BIO Ventures for Global Health in order to create and strengthen the economic incentives that will lead biotechnology firms to develop vaccines for third world diseases. Between 1975 and 1999, almost 1,400 drugs were brought to market; only 13 of those targeted tropical diseases from which millions of people suffer and die annually. BIO Ventures will help companies to understand developing world markets in order to improve the business case for pursuing products targeted at third-world countries. In 2005, the Gates Foundation awarded an additional five-year, multi-million dollar grant to BIO Ventures to expand its work.

The size of the Gates Foundation's largesse is impressive. By itself, the Foundation is capable of achieving significant gains in the search for vaccines. However, one of the aims of the foundation is to catalyze other players. Through leveraging its resources and clout, the Foundation is mobilizing additional resources and is influencing the agendas of other organizations with the hope of speeding vaccine development. In the late 1990s, when the Gates Foundation first became involved in finding an AIDS vaccine, several governments and organizations had begun to switch their focus to preventative efforts, believing a vaccine was still too distant. The size of the Gates Foundation's efforts, and its collaborative approach, helped reinvigorate the search for a vaccine.

One means of leveraging resources is through education and advocacy. Foundations and individuals can focus the attention of other donor entities including governments on the needs of the world's poor, and can set up organizations where individual contributions can be leveraged to pursue costly and financially unprofitable initiatives. The Gates have announced grants at the World Economic Forum and from African villages, have met with politicians and business leaders, and have made high-profile trips to third-world slums, all with the aim of increasing awareness and a sense of urgency.

The Gates Foundation is funding various preventative efforts around the world. This work serves the dual purpose of limiting the spread of HIV/AIDS and malaria (and other diseases) while at the same time developing the infrastructure and local networks that can be used to quickly immunize people once vaccines are discovered. This infrastructure, in turn, signals companies that there will be a large and immediate demand for any new vaccines they develop. For example, in 2000 the Gates Foundation and the Merck Company Foundation formed a partnership with the Republic of Botswana to improve the state of care and treatment of HIV-patients. Each foundation contributed \$50 million over five years to advance prevention efforts, healthcare access, and patient management in Botswana, where the adult HIV-infection rate is over 37 percent.

In 1999, The Gates Foundation helped launch the Global Alliance for Vaccines and Immunizations (GAVI) with a \$750 million grant. In addition to funding the delivery of existing vaccines, GAVI coordinates the efforts of players from various sectors (e.g. governments, funders, international organizations like WHO, and researchers and drug manufacturers) and influences public policy and funding priorities through its advocacy work.

One of the biggest advantages of most philanthropic organizations is their independence in deciding what to fund, in assuming leadership roles to work across the boundaries that exist between public entities, private enterprises, and academia, and in serving as a neutral convener. The Gates have used their global weight to spearhead efforts to develop new vaccines through establishing alliances, targeting funding, and sponsoring the creation of new organizations such as the Malaria Vaccine Initiative. They are able to pursue initiatives independent of governments, large constituencies, or market incentives.

A significant manifestation of a philanthropic organization's independence is its ability to invest in high-risk initiatives with only a small likelihood of success. The Gates Foundation is providing the risk capital necessary to pursue the development of new vaccines. To date the Gates have committed over \$126 million to the search for an AIDS vaccine, and over \$150 million towards a malaria vaccine. Such large sums do not guarantee that a successful vaccine will be discovered, but it increases the likelihood and speeds the process. Once a successful vaccine is developed, more risk-averse organizations, including governments, can fund its distribution. The long-term nature of the vaccine development process requires a dedication to stay the course despite the lack of successful outcomes. To date, there are no new drugs or vaccines that the Gates Foundation has paid to develop. The multi-year grants that the Foundation provides, however, maintain the focus on, and improve the stability of, research efforts and encourage support and investment by other entities.

An example that embodies several of the Gates Foundation's strategies is the Malaria Vaccine Initiative at the Program for Appropriate Technology in Health (PATH). MVI was launched in 1999 with a \$50 million grant from the Gates Foundation. In 2003, the Foundation awarded MVI an additional \$100 million. MVI's objective is to identify promising vaccine candidates and speed them through development and into the clinical trial stage. MVI pursues this through the formation of partnerships between governments, academia, and the private sector and, specifically, between researchers and development projects. It supports labs where potential vaccines may be languishing for lack funds. In 2005 MVI was supporting ten vaccine development projects, two of which had clinical trials underway. Finally, in anticipation of the discovery of a successful malaria vaccine, MVI is preparing the groundwork to ensure that the vaccine will be widely accessible, particularly in countries carrying the heaviest malaria burden. The Gates Foundation is



working at local and global levels to address problems that have both local and global dimensions. By supporting health clinics like those in Botswana, the Gates are strengthening the channels through which trial vaccines can be tested and new vaccines delivered. BIO Ventures is helping companies overcome market barriers and is creating and strengthening incentives that will lead to increased development of vaccines targeting developing countries. The Gates' commitment to funding a vaccine for malaria and HIV/AIDS has restrained public policy shifts towards treatment initiatives at the expense of vaccine development. As a convener, the Gates work to overcome the barriers that exist between different sectors and entities to promote collaboration and the sharing of best practices. The independence of private foundations like the Gates' enables them to invest in high-risk initiatives and maintain funding commitments over the long-term.

### **The MacArthur Foundation and Biodiversity**

The John D. and Catherine T. MacArthur Foundation was founded in 1978. It has assets approaching \$5 billion, making it one of the most well endowed private foundations in the world. Every year, the Foundation awards almost \$200 million in grants.

As a result of the strong interests of one of its first Directors, Murray Gell-Mann, the MacArthur Foundation has incorporated the environment as a key area of importance in its grantmaking strategy. The current grantmaking program area, titled Conservation and Sustainable Development, reflects the Foundation's view that effective conservation must address human needs by taking into account sustainable development practices. The Foundation has focused on a small number of highly threatened tropical ecosystems around the world. These ecosystems contain high levels of species diversity and endemism but are threatened by severe human poverty and rapid population growth.

The Foundation believes that these habitats represent its best opportunity to have a lasting positive impact on the environment. Its aims are to preserve biological diversity, develop and improve long-term sustainable natural resource use practices, and promote economic growth that is environmentally friendly. To address these issues, the Foundation has three priorities that guide its grantmaking. The first is the diminishment of threats to biodiversity, such as establishing and strengthening protected areas. The second is the development and validation of new conservation tools and methodologies that will provide innovative solutions to persistent problems. The third priority is the strengthening of capacity among regional experts and practitioners in order to sustain conservation efforts over the long-term. The MacArthur Foundation realizes that the three priorities are inter-related and inter-dependent, and so has adopted an integrated approach that supports activities across all three objectives.

When developing its grantmaking strategy for the environment, the Foundation created a long-term vision that enabled it to leverage its limited resources to maximum effect. Its first step was to conclude that the environment represented too vast an area to address in its entirety, and that selecting a subset of environmental issues was necessary. Biodiversity conservation was chosen for two reasons: species loss is on-going and irreversible, and biodiversity is regionally concentrated, thus providing an effective limit to the geographic scope of MacArthur's activities. However, the strategy required additional focus – all of the issues encompassed by biodiversity conservation are too numerous for the Foundation to have any meaningful impact. To refine the strategy required an operational definition of biodiversity for the Foundation's efforts. *Genetic diversity* was rejected



because of its focus on agriculture and the large number of other players, both philanthropic and public, that are already involved. *Ecosystem diversity* was rejected because it would entail operating at a macro level requiring a global focus and vast sums of money.

*Species diversity* provides a quantifiable means of ranking habitats with one another and evaluating them over time. It is geographically specific and would allow MacArthur to select regions in which it could have a significant impact and in which there was a dearth of other players. Furthermore, given the long-term nature of MacArthur's strategy, a geographic focus would enable it to develop in-house experience and expertise about particular regions and issues and to foster long-term relationships with local individuals and institutions.

To determine which ecosystems around the world represented the best opportunities for MacArthur, the Foundation investigated species diversity, endemism, endangerment, and the potential of surrounding communities and host countries to address conservation and sustainable use. Not only did MacArthur look at need, it also examined local resources and capacity. The resulting areas of focus are tropical ecosystems in three regions: in Asia, the Eastern Himalayas, the lower Mekong, and the coastal and marine areas around Papua New Guinea and Eastern Indonesia; in Africa, the coastal forests of Nigeria, Cameroon, Equatorial Guinea, and Gabon, the mountainous Albertine Rift region that spans western Uganda, Eastern Congo, Rwanda, Burundi, Western Tanzania, and Northern Zambia, and the island nation of Madagascar; and in Latin America, the tropical Andes encompassing parts of Colombia, Ecuador, Peru, and Bolivia, and the terrestrial and coastal areas of the Caribbean islands.

MacArthur's grantmaking addresses both short-term and long-term needs. Immediate needs involve protecting highly threatened species. In parts of the Albertine Rift in Africa, human population densities are around 100 people per square mile, and most forests outside of protected areas have been lost. Due to political instability and population migration, increasing pressure is being placed on remaining natural habitats. A portion of MacArthur's grants in the region are being used to fund the direct protection of three highly threatened areas that scientists identified as having the greatest biological importance. The remaining grants are long-term capacity building investments that fund the training of scientists, improve management practices, and strengthen legal frameworks. Developing the capacity of local people and institutions avoids grantee dependency and helps ensure the continuation and furtherance of MacArthur's work once the Foundation and other funders shift focus to different regions of the world.

The flexibility of MacArthur's grantmaking strategy allows it to take into account the specific needs of target regions and the activities of other funders. In contrast to Eastern Africa, in the Lower Mekong region more well-developed governmental infrastructures exist to support protected areas and conservation. Priorities in this region involve setting up management structures for new protected areas, filling knowledge gaps through funding field surveys, and developing innovative and participatory protected area management models. For example, a grant in Vietnam will develop a national policy for involving communities in the decision-making process for managing protected areas. In order to leverage the funding of other donors that are supporting conservation groups in the region, MacArthur is targeting its grants to government agencies.

The legitimacy of the Foundation's work stems in part from its participatory approach. MacArthur at times relies on grantees and partners within a region to help develop a regional strategy and determine funding priorities. In the lower Mekong, a meeting took place in early 2000 that included experts from governments, NGOs, and universities, the goal of which was to create a coordinated long-term regional strategy for

biodiversity conservation. The Foundation adapted this strategy to guide its own grantmaking in the region.

In 2001, MacArthur organized and funded a meeting on the Rift area of Africa that involved past and potential grant recipients and other regional experts. The purpose of the meeting was to address the on-going crises in the area and prioritize conservation activities. Flowing from this, the following year a three-year grant was awarded to support the development of a regional strategic plan and monitoring system. Through working with NGOs, government agencies, and communities, particularly when target areas span more than one country, the MacArthur Foundation fosters trans-national dialogue and cooperation. MacArthur is able to assume this role in part because it is viewed as a conservative, apolitical organization with a long-term interest in the region.

## Conclusion

Many major problems in the world have both a local and global dimension. A key strength of philanthropy is its flexibility to address these problems at either level depending on needs and capacities. Because of its size and independence, the Gates Foundation is able to fill a void on the global level through funding vaccine research and supporting national-level health care initiatives. The MacArthur Foundation funds various local and regional conservation activities depending upon habitat threat levels and local capacities. Rotary operates at the local level by supplying volunteers, and at the global level through some of its fundraising and advocacy work.

The size and goals of the Gates Foundation allow it to operate more independently than Rotary. Decision-making is wielded by a relatively small number of people. A sustained commitment can overcome a lack of short-term successes or measurable progress. By contrast, the polio eradication campaign involves millions of people around the world. Coordinating and sustaining this type of effort requires a much different organizational structure and a much more evangelical leadership.

When problems are too vast and complex to be solved by one entity, leveraging other organizations' resources is one means of ensuring that issues are addressed at both the local and global levels. Support of local AIDS clinics by the Gates Foundation and other donors both large and small directly impacts the Gates' vaccine research efforts on the global level. Rotary's partnership with WHO, UNICEF, and the CDC provides technical expertise that ensures local immunization efforts adhere to an effective global standard and are part of a coordinated global effort. The MacArthur Foundation targets a portion of its conservation funding at the national and regional levels in order to leverage site-specific grants supplied by it and other donors.

Philanthropy's main comparative advantage remains its flexibility, whether addressing under-funded issues, responding to new opportunities, supporting high-risk initiatives and weathering failure, or working in conjunction with players from various sectors. Donors have the ability to shape and re-shape their strategies in response to changing circumstances and can form partnerships to augment their efforts.

Philanthropy can play an important role in addressing these issues because of its ability to operate on many levels, its freedom from constraints of geography and profitability, and its ability to make long-term funding commitments. In the end, adopting funding strategies that appreciate both the local and global dimensions of major problems will improve the effectiveness of grantmaking.

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## **PHILANTHROPY AND NETWORKS IN GLOBAL CIVIL SOCIETY**

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Giuseppe Caruso

### **Summary of lessons**

Global Civil Society (GCS) is playing an increasingly crucial role in the global social, political, and economic scene. Its opposition to international frameworks of global governance and the current widely perceived injustice and inequality caused by corporate-led globalization is becoming stronger and more significant. Networks of social movements and organizations of civil society are organizing on a transnational level to increase their effectiveness in fostering alternative paths to a more just and equitable world society. These transnational networks of movements have recently elected the World Social Forum (WSF) as the privileged space to gather, meet, share experiences and knowledge and to experiment with new forms of global democratic participation.

The present paper will discuss the specific role played by philanthropic foundations in GCS. In particular, the WSF will be considered. In the following pages, crucial questions will be answered regarding the role of strategic philanthropy in the globalized world and in the WSF; the specific added value of foundations in this process; and strategies that are most effective in strengthening this relationship. The lessons learned here will be summarized in the last paragraph of the report in the form of best practices to be followed by the philanthropic community. The main overall lesson from this case study is the following: the role of philanthropic foundations has been key in the organizational process of the WSF and an even greater involvement of philanthropic foundations in the WSF process is worth exploring.

This case study will focus on one of the most interesting new entities in global philanthropy: the Funders Network on Trade and Globalization and its specific role in the WSF process.

The most important specific lesson from this case study is that a strong relationship between networks of funders and networks of the GCS promises to be highly valuable and effective. The funders' community has shown, in the last few years, to appreciate and highly value the strategic relation with GCS based on a network organizational structure. These structures have as their main strengths, the flexibility and the ability to quickly respond to changing environments. This greatly increases the opportunities to more efficiently interact with the overall social environment and with GCS. Another important

lesson for the philanthropic community, in working with the WSF process, is the understanding of the necessity of an open engagement with GCS as a way to foster specific philanthropic aspirations. Funders seem keen to accept the challenge to radicalise their understanding of corporate-led globalization in a direction that will help expose the excesses of the current neo-liberal economic system on a world scale. This is a significant step in reducing the political gap between foundations and social movements.

The outcome of the network to network global relationship is shown to not only benefit the philanthropic community but also the actors involved in the WSF. This relationship is creative, constructive, recursive, and self-reinforcing because it is based on the main characteristics of networks: high flexibility and adaptability to rapidly changing environments and a strong potential to build and share knowledge and information.

The inclusive and horizontal organizational structure of the WSF has been adequate to give space to many different civil society organizations. A wide variety of social movements, NGOs, and grassroots organizations by joining the WSF had the opportunity to share a common space animated by a profound respect of each other's difference in this fulfilling the core values at the base of the vision of the WSF. This vision has been enriched by the philanthropic energy that animates the work and the understanding of society expressed by progressive foundations through their organizational knowledge built in years of philanthropic commitment.

The WSF is a very complex process due to its very inclusiveness of organizations and social movements belonging to very diverse, and at times contrasting, backgrounds. This report, nonetheless, clearly shows that more involvement of philanthropic foundations can increase the effectiveness of such a wide and creative manifestation of GCS. The most important outcome of this increased involvement are greater opportunities for the creation of a globalization movement that is more equitable and just, built from the grassroots and rooted in shared values and on global solidarity. In particular, as the social unrest and chaotic societal structures and political governance observed worldwide are deeply determined by an untamed, corporate-led globalization, we should expect from GCS, enriched and reinforced by committed philanthropists, an important contribution to a safer and more equitable world.

## **Description of the case study**

An increased interest from philanthropic foundations toward GCS can be observed in the past years. Important considerations of the effects of globalization on the weaker strata of the world population have been articulated by many foundations, generating a strong opinion and a charitable movement to address the most blatant and perverse effects of globalization. The assessment conducted has brought to the widely agreed conclusion that to contribute to tame the ill effects of globalization, foundations are requested to strengthen their relationship with civil society on a world level. Functioning at the interface between states, markets and families, a strong and vibrant civil society has been considered an important condition to ensure democracy and participation on a global level and to help reformulate the global structures of governance in a more independent fashion from the International Financial Institutions than the present ones.

The case study presented here will focus on the role of philanthropic foundations in the WSF. In particular the focus will be on the role of the Funders Network on Trade and Globalization and its efforts in creating an interface between the funders' world and the WSF. A brief description of the World Social Forum will be sketched first. Next, the role of FNTG will be analysed. The following questions will be addressed: How did

foundations identify the needs to address (mission and vision)? How did foundations develop a strategic approach to impact on these needs in the specific global context? What was the specific philanthropic added value? Which were the strategies, the programs, the mechanisms that proved more effective and why for operating as a 'global actor'? What were some of the weaknesses and why?

### **The World Social Forum**

The fifth annual meeting of the WSF held in Porto Alegre, Brazil in January 2005, has been the biggest and most important event organized by a forum of the GCS. 155,000 registered participants took part in the event; 7,000 social movements, NGOs, Unions, and grassroots organizations were involved, an impressive 2,500 seminars, workshops, panels and conferences have been organized to discuss any possible aspect regarding the life conditions of the people of the planet and its environment. To cover this event 6,823 accredited journalists from the media gathered in Porto Alegre<sup>1</sup>. The WSF process started only five years ago, in January 2001. Notwithstanding the inevitable weaknesses due to the newness of the process, the success of this mass event is undeniable as it is its overall relevance as "one of the most significant expressions of progressive social movements globally" (John Harvey - Grantmakers Without Borders, Gw/oB, personal communication).

The WSF has oriented the energy of the GCS against a common adversary, neo-liberal globalization, and it is advocating social change on a global scale to address the injustice created by corporate-led globalization. In five years, the WSF swelled from the already conspicuous 15,000 participants in the first edition, in January 2001, to the 155,000 of the most recent edition. It was impossible to imagine such a success when, at the beginning of the year 2000, Oded Grajev and Francisco Whitaker flew to Paris to meet, in the offices of *Le Monde Diplomatique*, with Bernard Cassen, Director of the prestigious publication, to illustrate to him their ambitious idea.<sup>2</sup> The enthusiastic response from Cassen seems to have given the Brazilian proposers the sufficient confidence to propose the event at an alternative UN meeting in Geneva; it was June 2001 and the spokesperson of the Organizing Committee of the first WSF was Miguel Rossetto, Vice-governor of the Brazilian state of Rio Grande do Sul.<sup>b</sup>

Since the initial steps, the WSF established a close relation with the world of private foundations. Oded Grajev himself is a successful Brazilian businessman, funder and President of a foundation that deals with marginalized children in Brazil. Important support to the events of the WSF were provided by American and European foundations.<sup>3</sup>

The WSF has been organized to directly oppose the WEF, seen as the locus of articulation of those political and economic strategies that, favouring corporation, are causing marginalization, inequality, poverty and social injustice on a planetary scale. From the second edition onwards its identity has sharply changed from an oppositional one to a propositional and highly creative one. The WSF is now, therefore, a space where a wide range of social movements, unions, grassroots organizations, and NGOs converge to strongly advocate and experiment a globalization based on solidarity, social justice, and peace in full respect of the specific differences of identity, political background and strategy (for more detailed studies on the WSF refer to Bohm et al. 2005<sup>4</sup>; Keraghel and Sen 2004<sup>5</sup>; Sen et al. 2004<sup>6</sup>).

A clear-cut, unitary definition of the identity of the WSF is very difficult to offer here: diverse perceptions and ideas of what it is or should be, held by the actors involved in



the process and by its commentators, make the picture an extremely complex one.<sup>7</sup> But the strength of GCS itself, as clearly pointed out by Glasius, Kaldor and Anheier<sup>8</sup> in the Introduction to the *Global Civil Society 2001 Yearbook*, is the same very fussiness of the concept that allows for flexibility and applicability in understanding the various phenomena that are recognized under such label, and moreover allows for a strong normative understanding of society in all its present complexity (2001 p. 15).

A reference to the Charter of Principles approved by the assembly of the movements after the first WSF will offer a clear idea of what is the direction toward which the WSF is moving. The Chapter 1 expresses that: "The World Social Forum is an open meeting place for reflective thinking, democratic debate of ideas, formulation of proposals, free exchange of experiences and interlinking for effective action, by groups and movements of civil society." The stress is on the expression "space": the WSF is a public space, a fundamental constituent of a democratic global society. Chapter 4 states: "The alternatives proposed at the WSF stand in opposition to a process of globalization commanded by the large multinational corporations and by the governments and international institutions at the service of those corporations interests." On the clear distinction between social movements and public spaces Chapter 6 strongly declares that the WSF is nothing like a unitary social movement moving compact against one aim: "The participants in the Forum shall not be called on to take decisions as a body, whether by vote or acclamation, on declarations or proposals for action that would commit all, or the majority, of them and that propose to be taken as establishing positions of the Forum as a body." On these bases a new global project has seen the light that offers the necessary public space to counterbalance the action of governments and markets. These public spaces are believed to be indispensable in assuring the existence of a healthy democracy worldwide by, among other things, helping build a shared perception and understanding of a global citizenship. The WSF is showing to be able to pursue and fulfil these ambitious and crucial promises.

As the WSF becomes a mature social process the interest from the funders' world will definitely increase.<sup>9</sup> Therefore, the cooperation between the funders' networks and the WSF is expected to move toward a process of institutionalization. Rules are being discussed and priorities defined. The process is still young and much need to be improved, and can be improved, to optimise benefits for both parties. However, clear trends of favourable partnership can be observed; the present report will highlight some of the most salient.

In particular, extremely productive relationships are beginning as network to network relations. The flexibility and adaptability of this organizational structure have been tested with comforting success by the actors of the GCS. Further relationships promise to be fruitful for the WSF as well as for the funders' community. The success of these relationships promises to strengthen the process of building a stronger, more confident, self-conscious, and assertive GCS. The importance of such an effort can only be sketched briefly here but is strictly related to the importance of a productive and intense collaboration between, on one side, the financial strength of foundations and their disposition to venture their resources in experiments of social relevance in the process of making a better world (to this must be added the intrinsic solidarity at the base of the philanthropic efforts and commitment), and, on the other side, the social, cultural, economic, and political creativity of the social and grassroots movements that are part of the WSF process. This strong and creative collaboration promises to lead to a bettering of the overall security and justice conditions of the planet. Democracy, equality, social justice and human rights are the values that move both worlds. Active co-operation is desirable and, indeed, necessary.

## **How FNTG identified its specific needs, issues and challenges in the globalised world**

How do foundations identify the specific needs, issues and challenges to address in a globalized (or globalizing) world? The following paragraph will offer some answers to this crucial question.

There is a shared understanding among progressive foundations that globalization's many forces can, at the same time, and in not always easily predictable ways, benefit and cause harm both to societies and to the environment. The concern about who these globalizing processes especially hurt unites grantmakers and informs their actions to advance their goals of social justice, freedom and environmental sustainability.

FNTG has contributed a great deal to the analysis of the issues at stake in the contemporary global order and particularly of the specific needs for the philanthropic foundations vis-à-vis those circumstances. FNTG conducted research that has gathered evidence to a number of vital questions<sup>10</sup>: What are the actual and potential impacts of current globalization trends on equity, the environment and human rights? Who should run the global economy and what should be the role of the public in the process? Does more just and sustainable globalization require reformed or new structures and institutions? Are current trends in the global economy inevitable, or are there alternatives?<sup>10</sup> It is a shared understanding, among grantmakers, that the current political and economic regime of globalization and the profound restructuring of the world system, has a deep influence on the philanthropic actions of foundations. This process of adaptation to the changing world environment has led philanthropic foundations to redefine the terms of their missions and of their main goals. In this context, the mission of FNTG is to clarify the extent to which its philanthropic mission can address the necessities of shifting their action from a more local and national oriented philanthropy to one increasingly aware of the necessity to act globally to tackle current problems affecting local communities. The FNTG's vision is as follows: "The mission of the Funders Network on Trade and Globalization is to support foundations and other members of the funding community in their efforts to promote global relations, policies and institutions that foster environmentally sustainable, human-centred and just economic development in the US and around the world."<sup>11</sup>

The terms of the FNTG mission, it has been articulated since 1999 when the network came into being. The Network is a consequence of a strong recognition of the relevance of the global economic agenda on philanthropic issues. The relevance and need for such a network is clearly shown in the demonstrations that the Global Justice and Solidarity Movement staged in November of that year in Seattle.

During those dramatic days in Seattle, the Environmental Grantmakers Association and the Consultative Group on Biodiversity organised a series of meetings on trade and broader globalization issues. Over 40 funders were present at those meetings and they concertedly made the decision to launch a new network. This network will focus on the main issues at stake at a global level, emphasized by the ministerial meetings of the WTO in Seattle, and the reactions to the WTO meetings by those opposed to corporate-led globalization. The broad constituency of this new network would be the community of grantmakers with strong interests in human rights, democracy, social justice and the environment.

The conceptions and the understanding of globalization among the founders of the new network are not necessarily shared in a consistent way by all its members, but what

unites them is their concern over the effects of globalization. Both the good and bad effects of globalization, are often not perfectly understood by the community of philanthropists; as a consequence, at times they fail to directly address questions that are shown to have a crucial relevance in today's world.

The network's main goals are so expressed:

- > Raise awareness of the relevance of international trade and other globalization issues to the funding community;
- > Identify information needs of funders, focus on emerging global issues and promote potential funding opportunities and alliances in ways that help increase the strategic impact of grantmaking;
- > Increase financial resources devoted to environmentally sustainable, human-centred and just economic development worldwide.<sup>12</sup>

Foundations, as shown above, are rapidly moving toward a new understanding of their role in the changing society and toward a new restructuring of their overall philanthropic action. New needs are identified and new strategies are elaborated to address them. Moreover, this new organizational structure, the network, is seen as the most adequate to address the issues at stake in a fast changing social, political, and economic environment. FNTG is not only a network of funders, it is also a community of more than 200 organizations of civil society from around the world. This crucial element demonstrates that FNTG acts at the interface of two worlds: funders and organizations of civil society. In this role, it has acquired prominence and importance as both information and knowledge producer, as well as distributor, among funders and between funders and grantees. This is a role of extreme importance and relevance for creating a stronger, more confident, and assertive GCS.

### **Developing a strategic approach to impact on global needs**

To fulfil its objectives FNTG has worked "to raise awareness of the relevance of globalization issues to the funding community" (as expressed in the above mentioned network's main goals). FNTG provides its members with "a variety of educational and informational materials, and promotes potential funding opportunities in ways that help increase the strategic impact of grantmaking" (Mark Randazzo, coordinator of FNTG, personal communication). In the framework of these extensive educational and program activities, FNTG facilitates and coordinates the participation of its membership in relevant meetings of the main international financial institutions as well as of the World Trade Organization. To give an example of the kind of activities in which the FNTG is involved it is interesting to mention some of the organizational efforts in which FNTG got involved in the year 2003 (year of the crucial strengthening of the strategic relationship with the WSF): some of those efforts were aimed to convene members of the funders' community in Washington for the Annual Meeting of the World Bank Group, or to the organization of a delegation to the WTO ministerial meeting in Cancun, Mexico (were an impressive participation of activists was coordinated by some of the most active and influential actors of the WSF); further efforts were put in facilitating the attendance of a delegation of funders to the FTAA ministerial meeting held in Miami in 2003. According to Randazzo (personal communication), these activities permit funders "to gain a deeper understanding of the issues,

by observing global processes at first hand” by observing and directly meeting government officials and NGO advocates during their planned activities and global meetings.

As Randazzo puts it: one of the main strategic approaches that FNTG is pursuing in fulfilling its mission is taking part in the most relevant expressions of the GCS. The WSF is, in this respect, a key space that GCS has created in order to assess the current world situation and develop alternative visions toward a more just structure of global society. Joining in this effort are a vast number of organizations, NGOs, grassroots and social movements. In this sense, the WSF allows funders to encounter, in one occasion and in one space, the diverse creativity of analysis, discourses and actions that those organizations are able to offer.

Focusing on the above-mentioned strategic goal, FNTG has aimed in the past two years, to bring the funders community in touch with the WSF process. Randazzo mentions also (personal communication) that, in pursuing that goal, his organization managed to allow more than 100 funders to experience GCS “in all its chaotic splendour in Porto Alegre.” The strategic relevance of this encounter, Randazzo envisioned, was to expand the perspectives of a vast number of funders whose philanthropic actions, thus far, focused on local and national funding. He also hoped to broaden their perspectives and understanding of the problems related to neoliberal globalization and its consequences on vast sectors of the world population. For another category of the funders mobilised by FNTG, the encounter with GCS at the WSF is not a complete novelty. Some were already funding, on an international level, some of the main actors involved in the WSF process. Nonetheless, for these philanthropic organizations, the journey to the South of Brazil was not in vain: they had the chance to observe the actions of their grantees in their own environment.

FNTG involvement in the WSF process is even closer than that so far depicted. In Mark Randazzo’s words: “Although FNTG is not a full member of the International Committee of the WSF the relations among the two networks has been important in the past two years. FNTG has attended some of the meetings of the IC [International Committee] as an observer.” As Mark Randazzo further specifies, “the attendance to those meetings is one of the ways to collect information about the process to be shared with the members of the network.” Similar considerations are true regarding FNTG involvement in the Finance Commission of the WSF (recently renamed Resources Commission) International Committee, to which Mark Randazzo participates as an observer and as a *trait d’union* between the WSF and the American progressive funders’ community, with the specific task of assisting the funders with specific interests in issues linked to the broader question of globalization in approaching the WSF process.

One further task is employed by FNTG in bridging the funders’ community and the WSF: conscious to the importance of network to network relationship, FNTG has worked in the past two years in coordination with other funders networks such as Grantmakers Without Border and the International Human Rights Funders Group, the main task being “to provide information and promote discussion about the WSF among our membership” (Mark Rand, personal communication). To fulfill their goals, the networks organized delegations to facilitate funders’ attendance at the 4<sup>th</sup> edition of the WSF in India, January 2004<sup>13</sup> and to the latest WSF event again in Porto Aegre in January 2005. In order to raise the level of understating and knowledge about the WSF among the funders’ community, FNTG, in close cooperation with the networks mentioned above, also organized “a number of funder briefings and conference calls, almost always in the context of broader conversations about global civil society and social movements, and the ‘local-global’ links being made by US grassroots organizations interested in what peer organizations are doing in other parts of the world” (Mark Randazzo personal communication).

This wealth of educational, informational and organisational efforts have lead to a number of clear successes on the side of the WSF (which, with its openness and inclusiveness, has managed to attract the interest of a considerable number of funders) and on that of the funders, who highly appreciated the work of FNTG in building bridges between their community and the WSF. An internal assessment of the feedback given by the funders on their return from the Porto Alegre event in January 2003, conducted by FNTG, has been very comforting. In the words of Mark Rand (personal communication): “While individual funders of the WSF have their own analysis and critique of the Forum and how it is organized, overall assessments of FNTG funder delegates as participants in the process have been very positive. In their evaluations, delegates have stressed the importance of the setting, noting that unlike most other conferences and funder briefings, the WSF provides a setting ‘owned’ by NGOs and social movements providing them a relatively rare opportunity to interact politically and socially with proponents of different worldviews on their terms, on their own turf.”

The comments on the experience varied from “enjoyable” to “useful” and “inspiring.” In other words, the event was both enjoyable yet extremely productive in terms of situation assessment and action planning.

Thus far, this chapter has described the successful case of a funders’ network in fulfilling its overall mission. To accomplish its mission of supporting members of the funding community in broadening their relationships to a global scale in order to promote a more just society, FNTG has shown that this task can be accomplished by focusing on four main points:

- > Awareness raising;
- > Knowledge production and sharing;
- > Broadening of the funders’ political and social understanding and perspective of the global issues at stake; and
- > Networking among funders, with networks of funders and between these and the GCS.

The next issue to be discussed here refers to the philanthropic added value that funders can provide the WSF, within their engagement in the overall process.

### **The specific philanthropic added value**

The funders’ cooperation with the WSF is inspired by the values that inform philanthropic actions and organizations. These mentioned values are, alongside with indispensable financial support, the main contributions that philanthropic foundations can make to the WSF process. The following paragraph will synthesize the most important and specific contributions that will help strengthen the current relationship among funders and the WSF on the basis of those values carried by the funders’ community.

I will highlight in what follows some of the most important values upon which funders build their philanthropic action and understanding of the global issues at stake. The most important of the values mentioned here can be expressed in the following way: promoting ideas for social change in a non confrontational manner to preserve a common space for negotiation of different views and perceptions of the world through increased

participation in the democratic life for a world built on solidarity, justice, equality, and environmental sustainability.

Following this value, and strictly related to it, is the principle of experimentation, which animates the philanthropic approach to societal change. This has been translated into grantmaking directed at root causes of problems in order to prevent those conditions that necessitate charitable intervention. Based on these values, philanthropic foundations have built knowledge that helped resolve or ameliorate serious social ills. They have succeeded in mobilising resources from the most disparate sources, both belonging to the western scientific framework and also those rooted in local knowledge, in order to elaborate always new and more effective strategies to solve the main problems afflicting humanity.

In the WSF, funders will have the opportunity to meet with the most creative and imaginative proposals that deserve philanthropic enthusiasm and support. In the WSF, the true spirit of philanthropy itself, experimentation of new and alternative solutions to solve problems, can encounter its natural counterpart, the implementing NGOs and grassroots organizations, in a stimulating and creative environment. Moreover, foundations will have the opportunity to consider and evaluate how the effects of engaging on a global scale through the actors involved in the WSF, can increase the chances for them to realise their goals both at the global and local level.

Adding to the previous considerations, one other important consequence of philanthropic commitment is their involvements in a range of actions that will produce societal change such to avoid the need for charitable institutions to enter into action. In acting at the roots of the problems, philanthropy can contribute to the creation of safe spaces for democratic debate to be created and maintained. This is one of the most promising outcomes of the interaction between progressive funders and the WSF.

The discussion thus far has demonstrated that the collaboration between a funders' network, the FNTG, and the most interesting initiative of GCS to date, the WSF, can allow the philanthropic community to expand the scope of its strategic programs. This achievement, as argued here, is based explicitly on the above mentioned philanthropic values. These values are of great relevance to the entire WSF process. To further illustrate this main point, a brief reference will be made to the important work by Rabinowitz on social change philanthropy.<sup>14,15</sup> As the author explains:

“Making our system more fair is more important to social change philanthropists than moving society toward either capitalism completely dominated by the market or a socialism completely dominated by governmental agencies (or as John B Judis writes, “The abiding alternatives are not capitalism and communism, but democratic capitalism and a mature socialism tempered by experience and inoculated against one-party rule”). Nevertheless, the participants in this special brand of philanthropy seem to share strong feelings about the inequalities generated by our present mixed economic system, they value the positive role that governmental powers and monies can play in reducing economic and social disparities, and, to improve the way capitalism operates, they encourage the growth of cooperatives and worker-owned-and-managed enterprises in low-income communities.” (1990: 10–1)

Social change philanthropy shares, as detailed above, some of the important assumptions that define the WSF identity as a space where differences of opinion are democratically negotiated to avoid violent and disruptive confrontations. Social change activism and philanthropy engage in helping to redress the reasons for grievances and to reduce



disruptive confrontation, contributing to increased social justice and a more even distribution of wealth. This will help the empowerment citizens (racial minorities, women, sexual minorities, the elderly, the handicapped, youth, working class or poor people) to become more active and effective. The more progressive social change activists desire such social and political empowerment in order to help citizen-based organizations become more autonomous, more democratic, and more stable. This, ultimately, will help create a viable social environment leading to appropriate changes in legislation.

These goals can be accomplished by generating institutional change to eradicate the causes of oppression; by providing services that empower minorities; by creating alternative institutions; and by researching and monitoring institutional responsiveness. The values and the derived strategies and goals mentioned so far informs the mission and the vision of the members of the FNTG. The members of this community have applied their strategic goals, their will, their knowledge, and experiences to formulate strategies and create organizational structures and logistic frameworks that can contribute a great deal to the WSF process. In this sense, and in accordance with the present analysis, the WSF has shown interest in sharing part of that knowledge. In fact, CSOs have shown deep interest not just in funding and resource provision by the philanthropic community, but also in the seminars and workshops organized by funders during the WSF events, in which the intent of the organizers was to share the knowledge of daily philanthropic practices with the participants of the WSF events.

### **Strategies and mechanisms that proved more effective for operating as a ‘global actor’**

The findings of this report strongly support the case for greater philanthropic involvement in WSF projects. The reasons for this are numerous and grounded in the pluralistic principles that animates GCS on one hand, and on the other, the importance felt by funders to be a part of such an important global effort to co-ordinate energies and ideas to build a better world.

In this section, I will enumerate some of the most effective strategies and mechanisms implemented by philanthropic foundations in operating as a global actor. The most important finding is that the main strategy by the funder’s community that proved most effective is its very involvement as a global actor in the WSF process in the new organizational structure of the network. Moreover, the WSF is of phenomenal importance to world political and social environments, therefore, the resonance that such an involvement has on a world level gives foundations new audiences and new horizons to explore. A great number of associations of the GCS are involved in the WSF and their number grows consistently; the number and commitment of participants increases as well. The media are present *en mass* giving world coverage to the events and to the issues discussed; in this fermenting space, progressive funders are successfully getting involved in pursuing their new global agenda.

From the above mentioned involvement, derives the following argument: to secure more success to funding activities, new partnerships have been elaborated. To more effectively finance GCS, it is important for funders to be ready to experiment and to experiment together with those who will implement the programs. The WSF is an ideal space for common strategy design and it is the biggest laboratory for the production and sharing of critical and strategic knowledge at the global level. FNTG members have clearly



shown to be ready to engage in this fascinating and inspiring process of negotiation with the actors of the WSF.

One further point is the following: societies around the world affected by corporatized globalization need a sound collaboration between endowments and ideas for social change on one side, and activists to make them real on the other. To create a strong global citizenship, more involvement in GCS is a necessity, as shown in the present report. Funders are moving in this direction, strongly contributing their knowledge and their values to a process of deep societal change and in turn receiving crucial feedback from social activists on the most effective ways to orient their funding practices. This trend is showing interesting results, although the process is still very young and in constant *fieri*.

As described above, the WSF is an open public space for strategic networking and political creativity: FNTG members have shown themselves to be flexible and reactive enough to be able to take advantage of an inspiring and vibrant arena for expressing their potential. One of the greatest qualities expressed by philanthropic foundations is that of talent scouts. Foundations' objective is to find the actors of social innovation and creativity wherever they may be and promote and sponsor their ideas. The WSF gathers a considerable number of these social talents from all over the world. Its global, regional, and national meetings are the best space offered by GCS for such encounters of ideas, knowledge and funds to happen in a privileged setting. These Fora are spaces "owned" by the activists of GCS and interacting with them within those spaces, therefore, promises to be more effective in any other setting. In those meetings, funders can follow complex processes of reformulations of their understanding of the world too often highly influenced by the perceptions of their grantees and be induced to appreciate new horizons of social creativity. In other words, in the Social Fora, social change activists find themselves in the most comfortable place to express themselves and their creative and imaginative social energy, and funders can take advantage of this to better focus their resources in the most strategic ways. FNTG members have clearly shown that these are the terms of the most effective strategic involvement as global funders in the present global conjuncture. On these bases, future engagements promise to be built and strengthened further.

### **Some of the weaknesses experimented by the funders' network**

The FNTG has, among its individual members, a long tradition of one-to-one engagement with actors of civil society, especially at the national level, but also strong experience with international funding of development projects worldwide. However, the engagement with the vast community of the actors involved in the WSF is still a fairly young process. The newness of this process makes it prone to some weaknesses that need to be addressed. In what follows is a brief mention of some of the problems experienced in past and present interactions between foundations and the actors involved in the WSF process.

Some civil society organizations of the WSF have experienced in the past or still experience at present conflicts with American foundations. For example, activists campaigning for the rights of indigenous populations criticized the Rockefeller Foundation's funding of the Wycliff Bible translators<sup>16</sup> due to the negative impact that this had on their traditional culture and systems of belief. Some of the Indian movements and some of the members of the IOC (Indian Organising Committee) of the WSF have reproached American foundations for their

role in the Green Revolution and in the struggle against Communism that allowed fundamentalist Hindu groups to gain momentum to win the government and jeopardize the democracy of the country and the stability of the region (the conflicts between Muslims and Hindus in India and between India and Pakistan could represent serious dangers to the stability of the biggest democracy in the world and to that of the region). With regards to support given to “traditional” religions, some Burmese activists blame American foundations for the support given to Buddhism.<sup>17</sup>

Another area of criticism involves the nature of foundation investments on the global capital market. Endowments of foundations worldwide amount to trillions of dollars. These assets are managed on the capital market with other, non-foundation, assets. Foundations are asked to critically assess their contribution to a market that is considered responsible for many imbalances to social and economic justice. The entire spectrum of activists of the WSF claims that the financial sector has responsibility during crises, especially ones with enormous social repercussions. One further criticism refers to the engagement between foundations and the corporate world. Multinational corporations are often considered responsible for the exploitation of workers around the globe and of the depletion of natural resources.

Considering the strong campaigns against NAFTA, which sparked the movement that subsequently spawned the creation of the WSF, it is clear that conflicts may arise considering that, “the single largest foundation source for NAFTA-related work was the Ford Foundation, which made grants to organizations, including IIE, whose research supported the agreement” (Magat 1998: 164).

Notwithstanding the difficulties mentioned above, clear signs can be observed of a tendency for the different sectors—NGOs, social movements, and foundations—to reduce the distance between them and allow for a deeper interchange of energies and ideas in order to build a better world. This shared objective and vision can be the basis for a relationship that promises to change the social structure of global society by fostering the creation of a global citizenship. Both funders and actors of GCS involved in the WSF process are, nonetheless, quickly moving toward strategic positions that will allow for a new and stronger alliance. To deal with the above issues, foundations have developed a strong perspective that privileges a local view of the issues at stake and incorporates local knowledge expressed by the stakeholders.

On the other side, the WSF Charter of Principles stresses the importance of an alliance between all actors of GCS and strong respect of differences and specificities. This is necessary in order to build a strong alliance capable of addressing the ill effects of market fundamentalism, corporate-led globalization, as well as all forms of religious, ethnic, political and economic fundamentalism.

In strategically managing the relationship funders are building with actors involved in the WSF process, foundations need to carefully consider this warning. That is, as strong funders, foundations have the potential capability to impose rules and conditions on their grantees. The WSF appear not to be willing to compromise its strong policy of no strings attached, in regards to funds received to mount its events. Immediate consequence of this policy is the desire not to engage in unmanageable power dynamics that would only risk to deteriorate what appears to be a very promising process of negotiated interaction. Foundations on their side, however, know the important value of independence and ownership by grantees of projects they implement. This understanding is enhancing the relationship among grantmakers and grantees and will eventually lead to a consolidation of this inspiring and creative cooperation between the funders’ networks and WSF.

As shown above, both foundations and the WSF are learning quickly from the inevitable errors caused by the newness of this process. Through this process, they are building a strong and mature partnership based on reciprocal understanding and respect of their differences and specificities.

### **Implications of the case study and best practices**

In participating in the social forum, the discussed funders' network is not only pursuing its progressive agenda, but it is facilitating the engagement of its members in a process from which they could learn important lessons and improve their ability to succeed in their specific goals.

Based on the understanding from this case study, suggestions will be offered to brokers and foundation' officers on the most advantageous ways to engage with the WSF process as gained from the experience of the Funders' Network on Trade and Globalization. The present case study clearly shows that there are privileged patterns of actions that can be followed to foster a closer, deeper and more favourable collaboration between members of GCS and foundations. These patterns follow directly from the lessons learned here and are as follows.

The most important lesson is in regards to the opportunities offered by network to network relationships. A closer and deeper relationship with the WSF, mediated by the funders' networks, and involving globalization issues, would provide a tremendous opportunity for funders to exponentially increase their level of knowledge and contact with other perspectives that are part of GCS. The role played by Mark Randazzo, as an observer to the International Committee of the WSF and in the International Committee's Resources Commission, has been emphasized by members of the WSF as one of great importance as a node of conjunction between WSF and prospective funders. This shows the importance of such practices for a more focused, advantageous and strategic use of funders' resources. Important suggestions have been articulated in order to make the collaboration between WSF and foundations more effective. These suggestions are listed below.

More courageous reflections on corporate-led, neoliberal globalization are necessary from foundations. They should be ready to elaborate new paradigms of global citizenship for a global democracy that allow for an active negotiation with social movements and NGOs that are gathering in the WSF. Spaces like those offered by the conferences and meetings organized by the networks of funders or more ad-hoc meeting between funders and social movements and NGOs' activists, are among the best practices to closely articulate and increment in scope the research process followed by progressive funders.

Foundations are requested to be learning and sharing with organizations a strong propensity to experiment new strategies, new approaches to known issues, and new alliances with new partners in processes of recursive fertilization with other members of GCS.

To do so in the most advantageous way, foundations should be flexible and adaptive to the changing nature of global social structures and the global environment in which their actions are implemented.

A better strategic understanding of the changing nature of social and cultural processes on a global scale can be matured by working in close and innovative partnership with other GCS initiatives as is the WSF.

Foundations have accumulated a wealth of experience and knowledge in organizational management. This knowledge should be shared with members of the WSF in order to help contribute to bridging gaps in the WSF's organizational knowledge.

Foundations can produce a number of both momentous and short term improvements in the organization of the events of the WSF. To do so, they should dig into their networks of grantees to facilitate involvement in the WSF process in order to increase inclusion and representation of all social movements and NGOs from all regions of the world. In particular, foundations should focus on involving organizations from Africa and Asia, because their participation in the WSF is lower both in absolute and in relative terms compared to organizations from other areas (although the WSF in India helped move towards a more balanced regional participation and the decentralized WSF taking place in 2006 in Bamako, Caracas and Karachi expanded further that process).

Foundations should consider their involvement in the WSF process as part of a wider involvement with movements at the local and global level. The WSF is not only an annual event but it is the process by which foundations can engage daily with interventions at the global and at the local level. The necessity for these two processes to be co-ordinated is one of the main reasons for the existence of the WSF. More importantly, the WSF events are only marginal to the global WSF process and the potentialities for positive engagements with the actors involved in the WSF process are enormous (should be enough here mentioning that in the last WSF 2005 about 7000 among the most important organizations of the Global Civil Society had their delegates taking part in the event).

Clear signs that the community of funders are moving toward the directions highlighted here can be observed. What Rabinowitz wrote more than a decade ago is still extremely relevant: "The progressive social change community has a great deal of mutual self-education and development of strategies in store for itself over the 1990s. Existing funders are urged to develop closer ties among themselves and to bring their more traditional peers into the field" (1990: 155). The active co-operation among networks will, as it has been shown here, allow for this process of strategic self-education of the progressive social change community (we include foundations, social movements and advocacy NGOs as part of this community). The WSF will provide the ideal space for this process to take place in a democratic environment; the progressive social change foundations must take advantage of this space and of those opportunities offered.

## Conclusion

A strong and important role for philanthropic foundations exists in the World Social Forum. It has been shown here, through the analysis of the involvement of an important network of funders, that the philanthropic community is quickly building a clear understanding of the WSF, as the strongest, more creative, and inspiring network of GCS, and that a deeper involvement of the philanthropic community at a global level is worthwhile. This involvement has a great degree of impact with a relatively low financial commitment. It is extremely rewarding because engaging with the WSF means not only engaging with them during the meetings, but also contributing to the overall local realities in which the actors involved in the WSF operate daily. Thus, making the difference wherever it really matters: at the local and regional level.

This case study also demonstrates that the FNTG clearly understands the strategic importance of involvement in the WSF process. This choice is strategic because it avoids the risk of isolation. In today's globalized world, nothing is strictly local; therefore, philanthropy

has to be ready to engage on a different level and not just a domestic one. On this issue, American philanthropy has to move faster than at present when only a reduced percentage of overall giving goes to global philanthropic projects, especially at the grassroots level.

One final remark has to be added as to why foundations should become deeply involved in the WSF and more generally in GCS in order to increase their strategic position on a global level: any local development, in the present regime of globalization, needs a foreign policy. In the present global world it is impossible to fix the main problems affecting local and regional realities without acting on a world wide scale. Global warming offers one of the clearest demonstrations of this statement. At the same time, as long as there are places with cheaper and exploited labour, weaker legislations, or ways to escape regulations, it will be very difficult to arrest falling wages or livelihood below the threshold of human dignity, racism, ethnic and religious conflicts at the local level. Engaging in the WSF will offer philanthropic foundations the chance to deal actively with crucial ills of globalization and courageously contribute to ensure that the world becomes a fairer, more just, more secure, and more peaceful environment for global citizens.

## Endnotes

- <sup>1</sup> [http://www.forumsocialmundial.org.br/dinamic.asp?pagina=numeros\\_fsm\\_por](http://www.forumsocialmundial.org.br/dinamic.asp?pagina=numeros_fsm_por) and [http://www.forumsocialmundial.org.br/noticias\\_01.php?cd\\_news=1707&cd\\_language=1](http://www.forumsocialmundial.org.br/noticias_01.php?cd_news=1707&cd_language=1).
- <sup>2</sup> Teivainen, T. (2003). World Social Forum: What Should it be When it Grows Up? In OpenDemocracy. <http://www.opendemocracy.net/debates/article-6-91-1342.jsp>.
- <sup>3</sup> Philanthropic foundations have directly contributed to the realisation of such ambitious gathering of the GCS, both as individual organizations as did the Ford Foundation, Fundacao Banco do Brazil, Boell Foundation and others (the full list can be accessed in the official website of the WSF) or as, the present report will illustrate, through networks such as FNTG. Their contribution has been diverse and varying from the funding of the Organizing Committees of the Brazilian and Indian WSFs to the organization of seminars to the peer networking and the articulation with the International Committee of the WSF conducted, in particular, by FNTG. Crucial support, especially during the organizational effort that lead toward the WSF 2004 held in Mumbai, was given, through the Brazilian Secretariat of the WSF to the organization of international meetings of the organisers.
- <sup>4</sup> Böhm, S., Sullivan, S., and Reyes, O. (2005). The Organisation and Politics of Social Forums, Special Issue of Ephemera, Theory and Politics in Organisation, no. 5, Freely available at <http://www.ephemeraweb.org/index.htm>.
- <sup>5</sup> Keraghel, C., and Sen, J. (2004). Explorations in Open Space : The World Social Forum and Cultures of Politics, Special Issue of the International Social Science Journal, no. 182, London, Blackwell.
- <sup>6</sup> Sen, J., Anand, A., Escobar, A., Waterman, P. (eds.) (2004). *Challenging Empires*. New Delhi, Viveka Foundation.
- <sup>7</sup> An increasing number of scholarship is dedicated to the WSF, see for instance the edited volume *Challenging Empires*, the special issue no. 182 of the International Social Sciences Journal, and the special issue of the journal *Ephemera*.
- <sup>8</sup> Anheier, H., Glasius, M., and Kaldor, M. (2001). *Global civil society 2001*. Oxford University Press, Oxford.

<sup>9</sup> The involvement of American foundations in the WSF followed in the past three years the following pattern: in the year 2003 Ford Foundation contributed generously, in 2004 the same involvement has been performed by the Solidago Foundation, the Tides Foundation and the Funders' Network on Trade and Globalization; in the year 2005 the main American funders were Ford Foundation and Rockefeller Brothers Fund.

<sup>10</sup> <http://www.fntg.org/global/grantmakers.html>.

<sup>11</sup> <http://www.fntg.org/about/index.html>.

<sup>12</sup> <http://www.fntg.org/about/index.htm>.

<sup>13</sup> <http://www.fntg.org/news/index.php?op=read&articleid=807>.

<sup>14</sup> (see also Dowie, 2001, Hollcombe, 2000, Prewitt, 1999).

Dowie, M., (2001). *American Foundations: An Investigative History*. MIT Press, Cambridge.

Hollcombe, R. G., (2000). *Writing off ideas: taxation, foundations, and philanthropy in America*. Transaction publishers, New Brunswick.

Prewitt, K. (1999). The Importance of Foundations in an Open Society. In Bratelsmann Foundation, ed., *The Future of Foundations in an Open Society*, Bertelsmann Foundation Publishers, Guetersloh.

<sup>15</sup> Rabinowitz, A. (1990). *Social Change Philanthropy in America*. Quorum, Westport-London.

<sup>16</sup> Roelofs, J. (2003). *Public Policy. The Mask of Pluralism*. State University of New York Press, New York.

<sup>17</sup> Roelofs, J. (1995). The Third Sector as a Protective Layer for Capitalism, In, *Monthly Review: An Independent Socialist Magazine*, Sep95, Vol. 47 Issue 4, p. 16, 10p.

### Relevant Websites:

Funders Network on Trade and Globalisation

[www.fntg.org](http://www.fntg.org)

World Social Forum

[www.forumsocialmundial.org.br](http://www.forumsocialmundial.org.br)

[www.wsfindia.org](http://www.wsfindia.org)

[www.wsf2006.org](http://www.wsf2006.org)

## THE ROLE OF PHILANTHROPY WITHIN THE UNITED NATIONS SYSTEM: THE CASE OF THE UNITED NATIONS FOUNDATION

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Stefan Toepler and Natascha Mard

*“The global agenda has never been so varied, so pressing or so complex. It demands of the international community new approaches, new resources and new commitments of political will.”*

–Kofi Annan,  
*UN Secretary-General*

### Introduction

Foundations and their equivalents, such as the *al wakf* system in the Islamic world, have existed for centuries as a means of bringing private resources to bear on public purposes, but they have traditionally drawn little interest. As part of a general re-appraisal of the role of the state in modern society, however, foundations were rediscovered by donors and policy makers alike and the past two decades experienced a renewed interest in these institutions in much of the developed North.<sup>1,2</sup> This interest is held by governments, corporations, and private citizens alike. Governments use foundations for semi-privatizing tasks that are not as easily or as efficiently accomplished within the regular public administration or for leveraging private money for public purposes. Corporations also make more frequent use of foundations as part of their corporate giving and outreach strategy or to assume legal ownership of corporate assets. For private citizens, foundations are mechanisms to actively engage in the public discourse and reclaim societal space for a functioning civil society from the state.

While the debate about foundations has made some headway in the developed North as well as the transition countries of Central and Eastern Europe, little remains known about foundations in most other parts of the world. Nevertheless, interest in fostering philanthropy is growing in the South as well<sup>3,4</sup> and efforts to promote foundations as development tools will likely become part of the development discourse in the future. The appeal is dual: As local grantmaking institutions, foundations have the potential to contribute to the so far elusive quest for sustainability of indigenous civil society institutions, and they can be useful elements of the exit strategies of international development agencies.<sup>5</sup>



Yet, the question of what the most appropriate roles and functions of foundations should be is far from settled in the North,<sup>6</sup> much less so in the South, and perhaps the least with respect to emerging new global world order.

In this context, the United Nations Foundation (UNF) represents an interesting case. Although many major US foundations—most notably, Ford, Rockefeller and, more recently, Gates and George Soros' Open Society Institute—have provided significant support for various UN agencies, programs and initiatives over the years, UNF is the only major grantmaker to focus exclusively on the UN and its causes. UNF also differs structurally from other major US grantmaking foundations. It does not have an endowment to support grantmaking, but is a public charity under US law, established principally to transmit Ted Turner's financial pledge as well as other private support to UN activities. Its most distinctive feature is the direct and formalized engagement of private philanthropy with an international, inter-governmental organization. Guided by a small, but globally prominent board, UNF follows a three-pronged strategy. Whereas foundations typically support groups and causes that frequently advocate public institutions on behalf of their respective clientele, the UNF-allied Better World Campaign advocates on behalf of the UN and its role in fostering international cooperation and in advancing values and issues that correspond with larger American interests. A second mainstay of UNF is its grantmaking. Here the foundation's work is closely intertwined with the UN system. As civil society efforts to scale-up government in many parts of the developing world become more frequent, the still developing experience of UNF will be a useful guidepost. Finally, the Foundation emphasizes collaboration and public-private partnerships with civil society and the private sector. As the UN's engagement with private corporations has been contentious in the past, UNF plays an important mediating role.

### **The United Nations Foundation**

Long interested in the United Nations' (UN) ability to strengthen international cooperation and to improve the plight of the world's poor and concerned about the state of US-UN relations and the need for more private support, media entrepreneur and CNN-founder Robert Edward "Ted" Turner made a pledge of \$1 billion in support of the United Nations in September 1997. During a speech at the annual dinner of the United Nations Association of the United States, he announced the gift and the creation of a UN Foundation (UNF), which would work with the UN to decide how and where the funds would be distributed to UN causes to "make things better for people all over the world."<sup>7</sup>

From there on, things progressed with extraordinary speed. While conceptual discussions about the nature of the collaboration continued, the UN issued an initial project proposal solicitation in November 1997, eventually yielding 99 requests from UN departments and programs.<sup>8</sup> The United Nations Foundation was formally incorporated in January 1998 in New York as a public charity under the US Internal Revenue Code. At the same time, a sister organization, the Better World Fund, was created as an alternate grant-making entity to allow the option of furthering the causes of the UN by supporting non-UN organizations.

In March 1998, Secretary-General Kofi Annan established the United Nations Fund for International Partnerships (UNFIP) to serve as the official recipient of UNF distributions. The UNF had a President—former US Senator and Under Secretary of State Timothy Wirth—in place and its board fully constituted by May. Later that month, or just

eight months after the initial pledge, the UNF approved its first round of grants. The official relationship agreement between the UN and UNF was formally signed in June.<sup>8</sup>

As reflected in Ted Turner's preface to the Foundation's Five-Year Report, the gift was motivated by a desire to highlight the importance and significance of the UN within in the United States, whose arrears in UN dues amounted to about \$1 billion at the time; concern about the widespread lack of access to health care, educational opportunities and basic rights among the world's poor, particularly women and children; confidence in the United Nations' ability to deliver innovative programs to address these issues; as well as the hope that the example would encourage other donors to follow suit.<sup>9</sup>

Thus premised on the belief that global challenges will be most effectively addressed through the mechanism of the United Nations, at the most fundamental level, the UNF—with a parallel organization, the Better World Fund (BWF)—seeks to strengthen the UN system, not only financially, but in a broadly collaborative manner. This is reflected in its original mission statement, according to which the

“United Nations Foundation promotes a more peaceful, prosperous, and just world through support of the United Nations and its Charter. Through our grantmaking and by building new and innovative public-private partnerships, the United Nations Foundation acts to meet the most pressing health, humanitarian, socioeconomic, and environmental challenges of the 21st century. The Better World Fund, the UN Foundation's sister organization, works to educate opinion leaders, policy makers, and the general public on the vital work of the United Nations and to build a global constituency for the UN and global cooperation”<sup>9</sup>

Thus, the United Nations Foundation emerged with a decidedly focused approach aiming at longer-term impacts with a three-pronged strategy of combining grantmaking with advocacy and partnership development on behalf of the UN.

### ***Priorities and Structure***

Given the overall scope of UN responsibilities, tasks and activities, even a \$1 billion commitment would not likely have yielded much of a difference if disbursed widely. Accordingly, the UNF established two key strategic directions vis-à-vis its grantmaking programs. Firstly, the focus of UNF funding is not on general support of UN agencies, but on new innovative programs or highly leveraged initiatives that demonstrate the value of UN involvement. The official relationship agreement thus explicitly states that collaboration between UNF and UN will further the objectives of the UN charter “through implementation of innovative, forward-looking and pro-active projects and activities that make contributions to the collective future and well-being of the planet”.<sup>8</sup>

Secondly, UNF grantmaking is restricted to a limited number of issue areas. Reflecting the interests of Ted Turner, the UNF concentrates on four core program areas in addition to generally promoting the UN. At current, these are

- *Children's Health*, including decreasing childhood mortality through community-based intervention; immunization and control infectious diseases, such as polio and measles; and preventing tobacco use.

- *Environment*, focusing on World Heritage sites particularly important for biodiversity conservation; as well as sustainable energy issues and climate change.
- *Peace, Security & Human Rights*, prioritizing conflict prevention, human rights and peace building.
- *Women and Population*, focusing on improving socio-economic and educational opportunities for adolescent girls; and generally access to and quality of reproductive health services.

With the exception of the addition of peace, security and human rights, the core program areas have been relatively stable since the foundation's inception. With the announcement of the first round of grants in May 1998, UNF President Timothy Wirth was quoted as saying: "We set four broad priority areas: Women and population stabilization, sustainable environment and climate change, children's health, and strengthening the U.N. system".<sup>10</sup>

The Foundation's governance and leadership structure is broadly reflective of these priority areas. UNF President Timothy Wirth, as former Senator from Colorado and Under Secretary of State for Global Affairs in the Clinton Administration, has been a long-time advocate of environmental concerns, including global warming and biodiversity, as well as reproductive health services and women's rights. UNF's program areas relatively closely correspond with the sustainable development priorities that Wirth advocated as Under Secretary prior to joining UNF.<sup>11</sup> Chaired by Ted Turner, the UNF is governed by a small board of twelve globally prominent activists and experts lending high-profile expertise to each of the four program areas (see Appendix A). The UNF approves projects in typically two funding rounds per year.

### ***Grantmaking Patterns***

By 2005, UNF had disbursed funds in excess of \$900 million, including \$400 million in support from partners and individual donors, benefiting UN activities across 115 countries.<sup>12</sup> Likewise, UNF grants reached a wide array of UN departments and programs (see Appendix B). Table 1 shows the percentage distribution of UNF project support by program area, including funds from UNF partners, such as the Gates Foundation, the Red Cross, Rotary International and others, but excluding parallel financing for the same activities from other sources. Of the roughly \$570 million in UNF and partner support between 1998 and 2004, the largest share went to children's health projects with 42%, followed population and women and environment with 24% and 22%

TABLE 1. Percentage Distribution of UNF and Partner Funds by Program Area.

| Year      | Children's Health | Environment | Population and Women | Peace, Security, Human Rights | Humanitarian and Other |
|-----------|-------------------|-------------|----------------------|-------------------------------|------------------------|
| 1998      | 38%               | 12%         | 34%                  | -                             | 17%                    |
| 1999      | 55%               | 23%         | 14%                  | -                             | 8%                     |
| 2000      | 8%                | 22%         | 57%                  | 8%                            | 5%                     |
| 2001      | 29%               | 33%         | 16%                  | 17%                           | 5%                     |
| 2002      | 48%               | 30%         | 15%                  | 4%                            | 3%                     |
| 2003      | 60%               | 25%         | 8%                   | 4%                            | 3%                     |
| 2004      | 61%               | 5%          | 29%                  | 3%                            | 3%                     |
| 1998-2004 | 42%               | 22%         | 24%                  | 6%                            | 6%                     |

Source: General Assembly, 1999-2005<sup>13-20</sup>

respectively, and peace, security and human rights and other with 6% each (the peace, security and human rights program area was added in 2000). The table also suggests not insubstantial year-to-year fluctuations. These fluctuations may be reflective of particular partnership opportunities arising, multi-year commitments, but also the relative quality of proposals coming before the board. For example, when queried about the absence of large-scale environmental projects in the initial funding round, Wirth noted that the environmental group was not “as strong as we would like it to be . . . Some of the projects that were recommended were basically infrastructure projects, which is not the sort of things we ought to be doing in terms of preventive and innovative programs”.<sup>10</sup>

### ***Grantmaking Process and Interaction with UNFIP***

In contrast to the proto-typical, general purpose grantmaking foundation, the work of UNF is marked by close engagement and collaboration with the prime beneficiary. The close “foundation/grantee relationship” results in a fairly complex and collaborative process of identifying needs, issues and challenges that UNF will address. As shown in Figure 1, overall UN priorities, as determined by the Secretary-General, serve as a basic context; projects proposed to UNF are ideally “in conformity with the orientation of the Secretary-Genral’s [sic] reform programme”<sup>21</sup> and are “identified in conformity with the Foundation’s strategic objectives, taking into account the goals and objectives of the Millennium Declaration and relative development goals”.<sup>20</sup> Within these broad contexts, the UNF board has set its own four priorities and grantmaking areas that are further

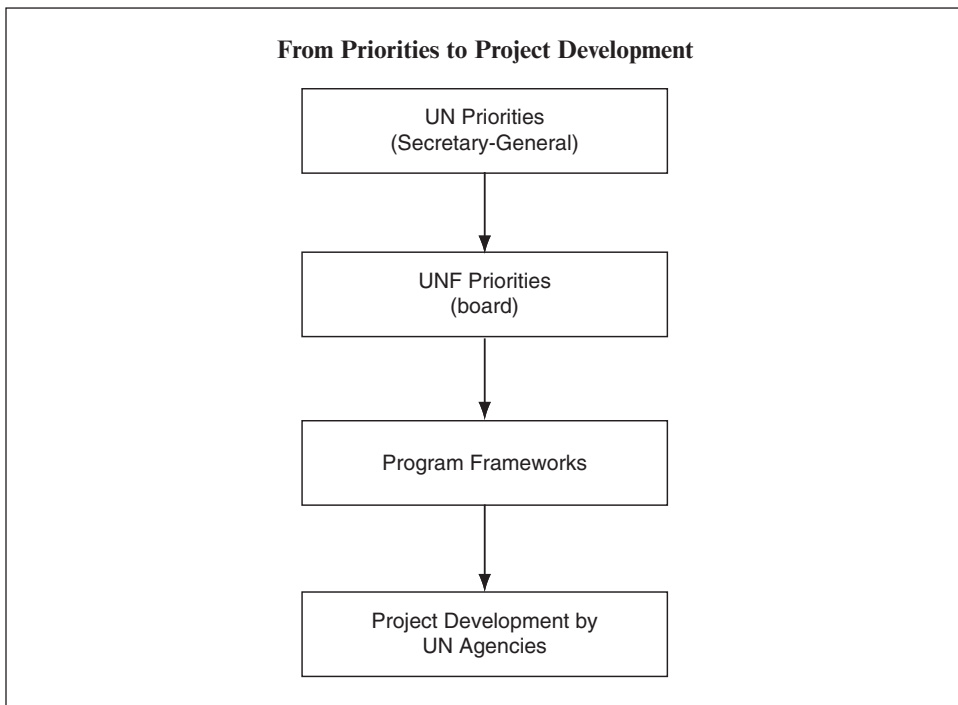


FIGURE 1. From Priorities to Project Development

defined in program frameworks which guide the development of programs and projects within the UN system.

To further define the UNF's core program areas and help develop specific strategies, a number of Programme Framework Groups (PFG) were convened by UNFIP in 1999: One each for children's health and population and women, and two for the environmental program area, focusing on biodiversity and sustainable energy/climate change respectively. The PFG's were each comprised of senior policy representatives from four to nine relevant UN agencies and programs, the World Bank and two external academic experts or NGOs representatives. The key task was to identify specific areas for strategic intervention that would promise the most effective use for UNF funds taking the Foundation's annual financial means into account. PFG programmatic recommendations were subject to endorsement by both the UNFIP Advisory Board and the UNF board.<sup>13</sup> These program frameworks form the basis for annual project proposal solicitations within the UN system and for evaluating proposals.

UNFIP is the central counterpart for UNF at the UN. Although its current mission is quite broad—"UNFIP brings together representatives of corporations, foundations, civil society and academia to work together with the United Nations for the common purpose of assisting those less fortunate around the world<sup>22</sup>"—its original purpose was to serve as the official UN recipient of UNF funds. Specifically, the relationship agreement defined UNFIP's purposes as follows:

"UNFIP is to provide a central mechanism to facilitate the organization, execution, monitoring and reporting for projects and activities funded by the Foundation. The mechanism will bring together project funding opportunities from the complex and diverse United Nations system . . . UNFIP will provide a central administrative vehicle within the United Nations for working with the Foundation to identify and select projects and activities, receive and distribute funds for such projects and activities, and monitor and report on the use of such funds".<sup>8</sup>

With a small staff headed by an executive director, UNFIP is guided by a ten-member advisory board, chaired by the Deputy Secretary-General. Serving in personal capacity, the board includes senior representatives of the UN system as well as a former president of the Ford Foundation and former vice-president of the Rockefeller Foundation.

In terms of the grantmaking process, UNFIP and UNF offer consultations with UN agencies to delineate program priorities and solicit concept papers. Concept papers are reviewed by both UNFIP and UNF staff in view of compatibility with UN priorities and program frameworks and guidelines. Projects involving collaboration with civil society and the private sector are particularly encouraged. After the review of the concept papers, full grant proposals are invited for a select number of exceptional projects.<sup>23</sup> Full grant proposals are reviewed by the UNFIP Advisory Council and recommended to the UNF board for action. The UNF board has ultimate discretion and not all UNFIP recommendations will necessarily be funded. Disbursements for UNF-approved projects are then made to UNFIB for implementation by the executing UN agencies.

### *Advocacy and UN Promotion*

A functioning relationship with the United States—both financially and politically—is central for the long-term success of the UN and its priorities. With no coercive power

over its member states, however, the UN has neither been able to collect substantial back dues from the US nor to prevent the US from pulling out of specialized agencies, such as UNESCO. The UN has also been unable to orchestrate outreach activities within the US to increase popular support. The basic issue is endemic to the way the UN is financed: Having to rely for important aspects of its work on voluntary contributions from member states and private sources, while lacking enforcement mechanisms, other than moral persuasion, for the (timely) collection of assessed dues, has plagued the UN from the beginning.<sup>24</sup> Given the centrality of the US-UN relationship, however, the American ambivalence towards the UN is of particular concern.

With deep concern about the willingness of the US to honor its commitments to the UN a significant motivation behind Ted Turner's pledge, advocacy on behalf of the UN was an important aspect of the work from the beginning. Through an initial BWF grant, subsequently renewed, the Better World Campaign was launched in 1999 to provide direct advocacy in Congress and develop public education and outreach efforts.<sup>25</sup> The Better World Campaigns current "mission is to foster a stronger relationship between the U.S. and UN through outreach, communications, and advocacy. BWC engages policy-makers, the media, and the American public on the important work of the UN, and the U.S.'s involvement with and funding of UN activities."<sup>26</sup> "As the UN Foundation's advocacy arm," the campaign interacts with Congress, the media and policy institutions, organizes briefings with UN representatives, and provides timely information on UN activities.<sup>12</sup> In addition, the UNF also sponsors a range of public information efforts, such as journalism education programs, providing access to UN information to radio networks and stations, the UN Wire e-mail service, and opportunities for American constituencies to visit the UN (*ibid.*).

In terms of both advocacy and policy education, BWC has a unique role to play in generating political support for the UN and the global problems that the UN aims to address. Although it is hard to gauge to what extent this has been directly due to BWC efforts, substantial progress has recently been made in core areas of US/UN relations. The Helms-Biden agreement of 1999, authorized the payment of \$926 million in U.S. arrears to the United Nations in three installments. The US also contributes full funding to peace-keeping operations since 2001 (which it had previously not complied with), and agreed to re-join UNESCO. On September 12, 2002, President Bush remarked that "As a symbol of our commitment to human dignity, the United States will return to UNESCO. The organization has been reformed, and America will participate fully in its mission to advance human rights and tolerance and learning."

### ***Partnerships***

The third core area of UNF relates to building partnerships on behalf of the UN. In Ted Turner's words, UNF serves "as an architect of new and innovative alliances to advance UN goals. We have focused on creating partnerships that magnify the power that people, Governments and organizations—public or private—have, working together to effect change and promote a world of good".<sup>27</sup> "[B]uilding new and innovative public-private partnerships" was an important part of the original intent and mission and is perhaps best exemplified by the early coalition around polio eradication, involving the Bill and Melinda Gates Foundation and Rotary International as private partners.<sup>28</sup> In the Foundation's development, this aspect of the Foundation's work has gained further in importance. Accordingly, the current mission statement reads

The UN Foundation builds and implements public-private partnerships to address the world's most pressing problems, and also works to broaden support for the UN through advocacy and public outreach.<sup>12</sup>

Among the many different types of partnerships and coalitions that UNF has catalyzed over the years are those that aim at leveraging the financial, technical and localized resources of the business sector. High profile partnerships with major global corporations include

- The travel website Expedia's promotion of sustainable tourism to World Heritage sites;
- The Coca-Cola Company's agreement to help restore water and sanitation systems after the 2005 Tsunami;
- The Nike Foundation's engagement in investing in adolescent girls within the developing world;
- MAC Cosmetics engagement in fund and awareness raising for the Global Fund; and
- Vodafone's commitment to leverage technical capacities for UN causes.<sup>12</sup>

In brokering such partnerships, UNF is able to leverage its experience and expertise of working through the UN system and ability to connect new partners.

### **Foundation Roles and the UNF Case**

The literature has long ascribed a number of roles and functions that foundations may perform in theory or practice.<sup>1,29-33</sup> These roles provide one benchmark to access the larger societal contributions and arguably the legitimacy of foundations.<sup>34</sup> Among the various conceptualizations, two core functions can be differentiated: Foundations are funding intermediaries—deploying private funds for public purposes—on the one hand; and they can be agents of change—fostering innovation or social change—on the other.

The use of foundations as funding intermediaries in the production of collective goods and services is usually the most immediate interest of policy makers and beneficiaries alike. While increasing the amount of private resources for social, educational, cultural and other public purposes, foundations can play two distinct roles by either substituting for, or complementing the public sector. Complementary funding takes place where governments cannot garner sufficient public support to support certain causes or face constitutional or other barriers to doing so. Substitutional funding, by contrast, takes place where governments attempt to reduce existing support in hopes of foundations and other private funders stepping in to fill emerging funding gaps. In this, foundations have traditionally preferred the complementarity over the substitutional role. In either case, foundation resources are generally too limited to support the basic provision of indispensable public functions.<sup>35</sup>

Apart from funding intermediation, the societal change agent, innovation or venture capital role of foundations is probably the most recognized and widely discussed function. The idea that foundations should serve as social venture or risk capital has long been a hallmark of the foundation debate, particularly in the US, and the suggestion that common principles of venture capitalism can increase the effectiveness of foundations<sup>36</sup> has shaped much of the discussion over the past decade. The appeal of this role lies in one



unique characteristic of the foundation form: its virtual lack of the external constraints that limit most other types of organizations in one form or the other, such as the demands of voters, shareholders, members, funders, and other stakeholders. Accordingly, at the organizational level, foundations are not subject to sanction in cases of failure in what they do. Given this independence, foundations have therefore the capacity to act as change agents by providing seed money for innovative projects and ideas whose outcomes are potentially beneficial, but uncertain; or to pursue social change by giving voice to unrepresented beneficiaries. Both functions help elucidate the roles that UNF, and private philanthropy more generally, represent in the UN context.

### *Funding Intermediation*

The initial thought to pledge the \$1 billion commitment directly to the UN could have easily translated into a grantmaking program to the same effect, which might simply have transferred funds over the initial ten-year period without much lasting impact other than allowing the Secretary-General access to scarce discretionary funds to be deployed where the needs of the moment were the greatest. Rather than merely substituting for regularly assessed UN dues by its member states, UNF chose early on to pursue a complementary role as “a new and *additional* financial resource”<sup>8</sup> That substitution was not intended is more or less explicitly reflected in the formal relationship agreement: “The United Nations and the UN Foundation understand that funds received by the United Nations from the UN Foundation are intended to supplement the regular, assessed, or voluntary funded programmes of the United Nations, its departments, funds, programmes, and specialized agencies”.<sup>8</sup>

By complementing the regular budget, the Turner gift enabled the UN to pursue the objectives of its Charter as well as aspects of its larger programmatic goals, such as those embodied in the Millennium Declaration for example, through activities that would either not have taken place without it or at least taken considerably longer to implement. With more than \$900 million in new financial resources provided by UNF, its partners and other donors in just the first seven years of its operation, the UNF’s financial contribution is highly significant. Yet, the funding intermediation function by itself is not the primary philanthropic value-added, not least because of the magnitude of resources needed to fully address the range of global challenges that the UN faces. The inherent limitations of this function were explicitly recognized early on and strategies build around it. For example, the 1999 programme framework for children’s health noted that the amount of funding that UNF anticipated to be able to provide “is highly limited in relation to the total United Nations programmes relating to children’s health issues and to the even larger challenges and resource needs identified in the World Declaration and Plan of Action adopted by the World Summit for Children”.<sup>14</sup>

### *Innovation and Change*

Relatively more important than the actual financial contributions is therefore the UNF’s role as catalyst of change, which it pursues at different levels and in various ways. At the programmatic level, UNF adopted an approach of fostering innovation through the provision of seed money. In this role, foundations have traditionally sought to support innovative new approaches to problem-solving in hopes that, once proven effective, other funding sources will step in and take programs to scale.<sup>37</sup> After acknowledging

financial limitations and the resulting UNF board mandate to focus narrowly on strategic objectives, the children's health programme framework clearly exemplifies this role:

While UNF funding cannot be expected to resolve children's health issues on a global scale, if used strategically it can foster major progress in identifying and testing policies and programmatic approaches that address those issues. Moreover, by demonstrating effective policies and programmatic approaches and sharing successful experiences with others, activities supported with UNF funding could help create the conditions that will accelerate progress . . . Resources for large-scale expansions would likely need to come primarily from countries themselves, perhaps with support from major lending and grant-making institutions as well as from the private sector, rather than from UNF.<sup>14</sup>

Beyond providing seed funding, the process of fostering innovation is also actively strengthened by UNF serving in a convening role. The PFGs brought various UN agencies and programs with overlapping interests in the foundation's core program areas to the table while leveraging additional private expertise at the same time. Moreover, many UN agencies and programs work on similar issues, but there are competing institutional imperatives and few incentives or mechanisms to join efforts and streamline and improve the effectiveness of efforts. The prospect of new outside funding through UNF, however, creates such incentives for various parts of the UN system to collaborate more closely. Current program guidelines, for example, ask applicants to describe "UN value added" by detailing "how the involvement of partner UN organizations will enhance the effectiveness and impact of the programme".<sup>23</sup> In its Women & Population Program, UNF summarized the underlying issue succinctly as follows:

The various UN Agencies, Programmes and Funds each have a specific [sic] mission and comparative advantage in addressing women and population issues. They provide technical expertise and resources for global problem-solving and play a specific and important role. But as with any complex problem, coordinated, multisectoral efforts are required, and no agency can work alone. The UN Foundation's Women and Population program works in coordination with [the UN Population Fund, the UN Children's Fund, the UN Development Fund for Women, and the World Health Organization] to enhance their important work.<sup>38</sup>

This convening role extends externally, with the foundation also providing clear incentives for UN agencies to develop projects in collaboration with private actors, both from the corporate and civil society sectors: "UNF/UNFIP grant making targets programmes with the potential to extend the reach of the UN and offer opportunities for partnership. We see public-private partnerships and alliances as crucial to addressing global problems".<sup>23</sup> As such, UNF creates a model mechanism for partnerships with the UN and creates appropriate capacity within the UN to be able to attract private support for key causes.

As shown in Table 2, while the foundation's grantmaking has not declined in absolute terms, the relative share of UNF's direct support has consistently been declining, as its ability to attract private partners and other donors has steadily grown.<sup>39</sup> In the words of

TABLE 2. Share of UNF and Other Donors of Accumulated Support for UNFIP-channeled Projects.

|      | UNF | Other Donors |
|------|-----|--------------|
| 2000 | 80% | 20%          |
| 2001 | 72% | 28%          |
| 2002 | 71% | 29%          |
| 2003 | 67% | 33%          |

Source: General Assembly, 2001–2004<sup>15–18</sup>

Amir Dossal, UNFIP's executive director, "UNFIP has become "inundated with inquiries from the private sector, from foundations—people wanting to work with the U.N., people wanting to support U.N. causes . . . It's an exponential increase" (ibid.). Beyond the programmatic level, paving the way for increased public/private partnerships with the UN represents a second level of the UNF's role as catalyst of change. In the course of pursuing this broader change in the way private donors view the UN, UNF is beginning to change itself: "The UN Foundation is working with an increasing number of partners to introduce UN programmes to new donor audiences. The intention is that over time, programmes supported by the UN Foundation can be presented as a "menu of investment opportunities," to a wide range of donors, through a host of mediums"<sup>23</sup>

To effect this change, the role of convener interacts with a validation role. On the one hand, UNF intermediation validates the UN system as a suitable vehicle for private donors interested in addressing pressing global issues, accordingly, "the Turner factor is not just money, but it's greater awareness of helping on international issues" (quoted in FN 39). On the other, UNF validates private support channeled to the UN—an issue that as long been prone to controversy.<sup>39</sup> While the benefits—both for the UN itself as well as the goals and objectives of its Charter—of greater collaboration with private interests are widely acknowledged,<sup>40–46</sup> there has nevertheless been a long strand of often ideological criticism of efforts by the UN to engage with global corporations.<sup>47–50</sup> With the impeccable credentials of its leadership and board, however, UNF has escaped being drawn into these controversies. In some ways, the UNF thus provides a mechanism for structuring UN-corporate interactions that appears acceptable to a wide range of UN stakeholders. The validation role seems likewise adept to help explain the change that the BWC has been seeking vis-à-vis Congressional attitudes and in building more popular support for the UN.

## Conclusion

The UNF case appears to defy the conventional thinking about the roles and functions of foundations in more ways than one. Rather than working around or opposite the public sector, the foundation engages the UN directly. As the traditional rationale of doing what government doesn't do becomes increasingly obsolete in a world marked by shifting roles, responsibilities and capabilities of governments in the face of growing complexity of problems, the evolving UNF experience can provide a useful example for a reinvention of foundation/government relations at the national and local levels as well. While the highly formalized interaction with the UN may have its drawbacks, it also potentially extends the reach of the foundation beyond the limits of its own resources. As efforts to scale-up NGOs and civil society continue to be difficult in most parts of the world, a strategy of

scaling up public sector institutions in conjunction with civil society may well prove to be a meaningful next step, and UNF's ability to broker partnerships between a range of public and private actors provides a good learning experience. Likewise, as partnership development is becoming increasingly pervasive,<sup>51</sup> UNF's convening and validation roles in fostering innovation and fostering change provide a useful blueprint for locating the role of foundations in multi-sectoral global problem-solving.

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## Appendix A

### UNF Board (2005)

**R. E. Turner**, Chairman of the Board (U.S.A.)  
*Chairman, Turner Enterprises*

**Timothy E. Wirth** (U.S.A.)  
*President, United Nations Foundation and Better World Fund*

**Gro Harlem Brundtland** (Norway)  
*Director-General Emeritus, World Health Organization*

**Ruth Cardoso** (Brazil)  
*Chair, Comunidade Solidaria*

**Liang Dan** (China)  
*Director of Investment and Technology Promotion at the UN Industrial Development Organization (UNIDO)*

**Graça Machel** (Mozambique)  
*Chair, Foundation for Community Development*

**N. R. Narayana Murthy** (India)  
*Chairman and Chief Mentor of Infosys Technologies Limited*

**Hisashi Owada** (Japan)  
*Judge, International Court of Justice*

**Emma Rothschild**, Executive Committee Chair (U. K.)  
*Director of the Centre for History and Economics - King's College, University of Cambridge*

**Nafis Sadik** (Pakistan)  
*Special Advisor to the UN Secretary-General*

**Andrew Young** (U.S.A.)  
*Chairman, Good Works International*

**Muhammad Yunus** (Bangladesh)  
*Founder, Grameen Bank of Bangladesh*

**Source:** <http://www.unfoundation.org/about/board.asp>

## Appendix B

### UNF Supported UN departments, funds and programs (as of 2005)

Economic Commission for Europe (ECE)  
Economic Commission for Latin America and the Caribbean (ECLAC)  
Food and Agriculture Organization (FAO)  
International Labour Organization (ILO)  
Joint UN Programme on HIV/AIDS (UNAIDS)  
Office of the Secretary General



United Nations Human Settlements Programme (HABITAT)  
United Nations Children's Fund (UNICEF)  
United Nations Conference on Trade & Development (UNCTAD)  
United Nations Department of Disarmament Affairs (DDA)  
United Nations Department of Economic and Social Affairs (DESA)  
United Nations Department of Peacekeeping Affairs (UNDPKO)  
United Nations Department of Political Affairs (DPA)  
United Nations Department of Public Information (UNDPI)  
United Nations Development Fund for Women (UNIFEM)  
United Nations Development Group (UNDG)  
United Nations Development Programme (UNDP)  
United Nations Educational-Scientific and Cultural Organization (UNESCO)  
United Nations Environment Programme (UNEP)  
United Nations Framework Convention on Climate Change (UNFCCC)  
United Nations Gender Task Force  
United Nations High Commissioner for Refugees (UNHCR)  
United Nations Industrial Development Organization (UNIDO)  
United Nations Institute for Disarmament Research (UNIDIR)  
United Nations Institute for Training and Research (UNITAR)  
United Nations International Drug Control Programme (UNDCP)  
United Nations Non-Governmental Liaison Service (NGLS)  
United Nations Office for the Coordination of Humanitarian Affairs (OCHA)  
United Nations Office of the High Commissioner for Human Rights (OHCHR)  
United Nations Population Fund (UNFPA)  
United Nations Secretariat  
United Nations Staff College (UNSC)  
United Nations University For Peace  
World Bank  
World Health Organization (WHO)

**Source:** <http://www.unfoundation.org/programs/grantmaking.asp>

**PHILANTHROPIC FOUNDATIONS' ASSISTANCE IN  
POST-CONFLICT SITUATIONS: A CASE STUDY OF  
POST-COMMUNIST SOUTHEAST EUROPE**

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Natalia Leshchenko

**Summary of lessons**

Armed conflicts have become a feature of the globalizing post-Cold War world. Between 1989 and 2002, there were 111 wars, rebellions, and mass clashes around the world.<sup>1</sup> Some of them absorbed millions of people and spread across borders of several states, and, as such, armed conflicts and their consequences have predictably become the focus of international concern. Assistance to post-conflict situations is predominantly understood as provision of humanitarian relief and support for compliance with relevant peace accords. As such, it is mostly provided by international organizations, such as the United Nations and the European Union. Post-conflict assistance is a relatively new area for philanthropic organizations; in 2001, the bulk of the assistance that US philanthropic foundations send abroad was directed towards developmental, environmental and disaster-relief goals; while international assistance itself comprised the smallest proportion of charitable giving (1,3%).<sup>2</sup>

This case study seeks to establish a particular role for philanthropic foundations in post-conflict situations. Is there a room for strategic philanthropy in the societies emerging from conflict? What specific added value can philanthropy bring? What strategies can be the most effective and where to expect potential pitfalls? The chapter offers answers to these questions by analyzing philanthropic assistance to post-conflict South-East Europe.

The overarching rationale for philanthropic foundations' involvement in post-conflict situations is to promote and assist democratic development of societies emerging from conflict.

Large-scale armed conflicts often accompany profound social transformations; it is not surprising that the majority of recent conflicts around the world have erupted from a break-down of authoritarian regimes. The end of armed conflicts, therefore, presents 'relatively short-lived opportunities for fundamental restructuring<sup>3</sup> of the society towards the democratic system.

‘The period immediately following experiences of crisis can also be times of intense reflection and an affirmation of commitment to a vision of an alternative future . . . By tapping into the [people’s] desire for something different, processes can begin that turn the past on its head and start to build a future that goes beyond what existed before the war.’<sup>4</sup>

The specific role for philanthropy in post-conflict situations is the opportunity to promote and encourage a systemic change towards democracy in the post-conflict societies on the local and community level. Also, more than any other organizations, philanthropic foundations are able to demonstrate by their own example the importance and value of charitable action, and propagate it in post-conflict societies.

The overall strategic lesson offered for philanthropies is the following. Although each transition from violence to peace is unavoidably unique, some general strategic rules do exist (see appendix 1). The principle of them is that reconciliation in post-conflict societies cannot be imported from the outside. The ownership of actions taken to address the consequences of conflict should rest with local actors, while capacity-building, based on existing knowledge and expertise, needs to be an integral part of every assistance.<sup>4-6</sup> Therefore, maximizing input from the local actors and capacity-building of local organization are arguably the most effective approaches to post-conflict assistance for strategic philanthropy.

### *Description of the case study*

The term ‘a post-conflict situation’ escapes definition in rigid chronological terms. The ‘post-conflict’ situation begins with a formal commitment to peace by hostile parties and continues until normal social functions are restored and operate without external assistance. The final temporal border of a post-conflict situation is thus blurred. The adoption of a new constitution and/or parliamentary/presidential elections may not be considered the end to a post-conflict situation, since these mechanisms per se do not guarantee further peaceful development of post-conflict societies. Therefore, foreign actors engaged in post-conflict situations tend to decide for themselves when their assistance is no longer needed, and when to withdraw.

This case study of philanthropic assistance in post-conflict situations focuses, geographically, on South-East Europe and, organizationally, on the Charles Stewart Mott Foundation and Soros Foundations Network, with insights from King Baudouin Foundations’ experience. To explain the choice of the geographical focus, South-East Europe witnessed some of the major ethnic conflicts since the end of the Cold War. The Yugoslav Socialist Federalist Republic fell apart in early 1992s, its breakdown involving ethnic disputes leading to military actions (Slovenia in 1991), wars (Croatia, Bosnia and Herzegovina), and ethnic cleansing (especially in Kosovo). During the military actions in Croatia, 20,000 lives were lost, 200,000 people became refugees and 350,000 were displaced. The first two years of Bosnian war took the toll of 70,000 lives, while 2 million of a population of 4,3 million became refugees. Among the repercussion of the conflict was the largest global displacement of children since the World War II.<sup>7</sup> Over a decade since 1991, 4 new states emerged (Slovenia, Croatia, B&H, Macedonia). Some of the new states were weak, like B&H, in some (Croatia, Serbia) authoritarian leaders came to the power (Tudjman, Milosevic). The violent break-up of Yugoslavia gravely disrupted the physical infrastructure,

and severely tore the fabric of social relations. The neighbouring countries in the region (Albania, Hungary, Romania, Bulgaria), given their multiethnic composition, became potential hotbeds of ethnic violence. Establishment of sustainable peaceful relations among the peoples of South-East Europe and ensuring fruitful social development thus became a major challenge for domestic and international actors. This challenge had to be addressed at multiple levels and in multitude of aspects. The large scale and diversity of issues involved in regulating conflicts in Southeastern Europe, as well as the wide spectrum of possible ramifications, is one of the reasons for choosing the region as the geographical focus of the study.

The other reason is timing. Southeastern Europe has already undergone as a fairly long history of post-conflict development, which allows for a reflexive analysis. After about 10 years of post-conflict assistance in Southeastern Europe, some results are already evident, and it is possible to establish strategic strengths and weaknesses of philanthropic action in this area. Therefore, for the reasons of scale and timing, Southeastern Europe 'presents a perfect lessons learned resource for future international support policies.<sup>8</sup>

The main philanthropic actors in South-East Europe have been the Charles Stewart Mott Foundation (Mott or the Mott Foundation), the Ford Foundation, the German Marshall Fund, the King Baudouin Foundation (KBF), the McArthur Foundation and the Open Society Institute/Soros Foundations Network (SFN). This case study builds on the experience of the Mott Foundation and SNF, and partly of KBF. Mott and SNF have been committed to the developments in the region for more than a decade and have conducted full-scale assessments of the experience gained.<sup>9,10</sup> They have run joint projects with KBF. Notably, many experiences of the Mott and Soros foundations have coincided despite the differences in the foundations' strategic approaches. Such a concurrence further validates the findings of the study.

### **How did the foundations identify the needs to address. Mission and vision**

The Mott Foundation, SFN and KBF serve the overarching aim of improving conditions for individual and human development. The Soros Foundations Network was established to promote the development of open society in Central and Eastern Europe following the collapse of the communist regimes. The Mott Foundation, in contrast, engaged internationally after more than seven decades of community-based work in the US. For KBF, involvement in South-East Europe constituted a part of its ambition to become a European foundation.

**The Mott Foundation and the SNF employed different approaches to the commitment in South-Eastern Europe: tightly structured for the Mott Foundation and loosely structured for the SNF.**

**Mott Foundation** structured international commitment formally as the Civil Society Programme, with clearly defined elements.

*Mission: To strengthen citizen and nonprofit sector engagement in support of free and pluralistic democratic societies, with primary geographic focus on the United States, Central/Eastern Europe and Russia, South Africa, and at the global level. Goal: Contribute to the development of democratic, pluralistic societies in Central/Eastern Europe and Russia, principally through support of the nonprofit sector, citizen engagement and improved ethnic relations.*

The improvement of ethnic relations was conceived by the Mott Foundation as one direction of their three-pronged policy for the strengthening of democratic society.

‘Race and ethnic intolerance and misguided nationalism pose major threats to a just society and to sustained peace throughout much of the region. This issue is fundamental to the vision of civil society’.<sup>11</sup>

‘The Foundation realized that the way ethnic differences were handled in societies undergoing significant transitions would have a major impact on whether they became democratic, retained an authoritarian structure or slipped into chaos. By developing and institutionalizing effective ways to cooperatively resolve differences, and Foundation hopes to increase the probability that societies undergoing transitions from dictatorship to democracy would be more successful in their endeavors’.<sup>9</sup>

The **Soros Foundations Network (SFN)** approach was considerably less formalized in comparison to that of the Mott Foundation.

Mission: *To transform closed societies into open ones and to protect and expand values of existing open societies*’.<sup>12</sup>

The SNF deliberately refrained from having an overall strategic plan so as to be able to address emerging opportunities and to maintain flexibility to react to new developments. ‘A peculiarity of the foundation is that its donor is a living person, who is fully involved in the foundations’ work on a daily basis. This enables SNF to follow history as it happens and to be very flexible in its policies’.<sup>6</sup>

**As first steps towards the fulfillment of their objectives, both foundations established offices in the region.**

The **Mott Foundation**’s office was opened in Prague in 1989, and covered the foundation’s programmes in Eastern Europe, Russia, and Central Asia. In 1991, the Mott Foundation started to fund programmes in the area of conflict resolution as part of the broader effort to encourage political and economic transformation.<sup>9</sup> The Mott Foundation’s main approaches to post-conflict settlement have encompassed:

- > Networking in the NGO, private, and governmental sectors
- > Community-building activities
- > Training and capacity building
- > Problem-solving workshops
- > Interethnic dialogues
- > Moderation, facilitation and mediation
- > Building or enhancing institutions<sup>9</sup>

The Mott Foundation supported diverse projects on local, regional, national and international levels, both short-term and long-term. In 2002, the Mott foundation was supporting 14 projects in the sphere of improving ethnic relations in CEEC for the sum of \$1,505,456.<sup>11</sup>

The **Soros Foundation** also established presence, although not in a form of one central office. Instead of giving the foundation the traditional structure with the headquarter and the local offices, George Soros opted to create an association of Open Society Foundations registered as local organizations in the countries involved. The network foundations ‘shared the values of open society and the desire to achieve systemic impact, either through structural changes, or by introducing sustainable new models’.<sup>8</sup> On the basis of such universal values, the foundations themselves determine the specific content of their activity, guided by the identification of the authentic needs of their community, at different levels from the local to the global.<sup>11</sup>

Thus, the Open Society Fund Bosnia & Herzegovina defined for itself four strategic principles:

- > Sustainability. Ultimately, programmes and activities should be accepted by the society and taken over by governmental institutions and local stakeholders.
- > A problem-solving approach. Address actual social issues through result-oriented activities.
- > Synergy and partnership with other international organizations and agencies.
- > Regional cooperation.

Upon these principles, the Fund established several strategic priorities: *youth* as the advocates of a new open society and, *adherence to the rule of law and good governance, human and minority rights* as the demonstration of diversity which open and civil society can bring. On this basis, the foundation run programmes 'civil society', 'local governance', 'education', 'women's', 'Roma', 'youth', and 'law'. It maintained offices in Sarajevo and Banjaluka.

The Open Society Institute-Croatia (OSI-C), ([soros.hu](http://soros.hu), online) employed a somewhat different approach. The particularity of the Croatian context have been that the communist rule in the country was replaced by an authoritarian regime (until 2000). In these circumstances, the strategic orientation of OSI-C was to support 'pockets of resistance', while itself initiating numerous activities in the fields of culture, education, media, which promoted the values of open society (OSI-C). Since a democratic regime emerged after 2000, OSI-C pursued activities in four segments:

- > support of civil society agents, while avoiding projects in which OSI-C is the only donor.
- > pursuit of the foundation's own projects
- > policy research and recommendations
- > integrations of local projects with network-wide programmes.

OSI-C run programmes in civil society, education, information and culture, public health, and economy.<sup>13</sup> Overall, it contributed more than 40 million USD to the country.

When KBF got involved in South East Europe in 1996, it established presence through partnerships with already existing local organizations, and nominated a coordinating organization within each country of the region.

As evident, the initial approaches to involvement in post-conflict South-East Europe by the Mott and Soros foundations differed rather dramatically. The SNF was completely new foundation, and the Mott FOundatin had had a long history of operation in the USA; in SNF, the founder (George Soros) played a key role, whereas in the Mott Foundation, the founder (Charles Stewart Mott) had been long gone. The SNF abstained from formulating a strategic plan, while the Mott Foundations set its international commitment in clear formal terms. The foundations also chose different ways of establishing their presence in the region: a network of local organizations (SFN) vs one small office covering the whole region (the Mott Foundation). Given such differences in the organizational history and initial approaches towards the situation from these two foundations, it is remarkable that their experiences eventually coincided in terms of the challenges they met, the innovations they developed, the organizational change they initiated, and the strategies of assistance they found most effective.

### *Experience and Lessons*

The challenges philanthropic foundations had faced in post-conflict South-East Europe fell within three broad categories:

- managing relations with the local partners;
- coordinating with other international organizations;
- improving the foundations' own effectiveness.

This part of the case study discusses all three aspects in detail, from the challenges the foundations met to the strategies and innovations they developed to address such challenges. This leads to consideration of the unique 'added value' philanthropic foundations can provide in post-conflict situations.

### **Management of relations with the local partners**

The ultimate challenge of the foundations' work has been to mobilize the community and motivate local interest beyond accepting assistance.<sup>9</sup> Other major challenges have been:

- > Local traditions of non-governmental work; as 'the concepts of transparency, accountability, and reporting, that we often take for granted about the nonprofit sector, are new to some'.<sup>14</sup>
- > Instability, both in terms of physical infrastructure and legislative environment. Thus, in Bosnia and Herzegovina, there were at some point three laws regulating activity of the non-governmental sector.
- > Limited democratic tradition in the political life and the habituation of the population to life and social relations of the authoritarian political regimes.

The literature argues that in general, the major caveat for foundations addressing post-conflict situation has been, paradoxically, their stance as an often unique source of support for civil activity and consequently, their capability to 'dictate' conditions, and patterns of behavior to the local partners.

Philanthropic foundations could, and have, played a major part in creation of civil society organizations in societies emerging from conflict. Foreign donors provide encouragement, expertise, training and financial support to such organizations, as they appreciate the value of civil society and need local partners to implement their projects. Logically, foreign donors have tended to spread their own organizational model to the emerging local NGOs; in most cases this was the 'Anglo-Saxon' model of the board and an executive.<sup>14</sup> During training sessions, foreign donors would emphasize their own values and the issues pertinent in their home countries, i.e. minority or women's rights. Apart from expertise, the fact that foreign foundations were often the most stable and lucrative source of income in the disordered post-conflict areas, also played an important role in assuring the willingness of local organizations to follow the donors' suit.

International donors' support of indigenous civil activities spawned a large number of local NGOs. It is estimated that the number of NGOs in Bosnia and Herzegovina was roughly 1500 in 2000.<sup>10</sup> There were 184 NGOs operating in Sarajevo alone in 1999.<sup>15</sup> The



burgeoning of such NGOs, however, was not a testament to a flourishing civil society.<sup>10</sup> Many NGOs could be seen as having been created for the purpose of implementing sponsored projects, rather than being a genuine expression of civil activism. A testimony to this can be found in the boom of sexual minorities' rights and women's organizations (see FN, p. 143), the issues generally acknowledged as not the most pertinent to post-conflict societies. Apart from becoming 'supply-side' or 'project' organizations, some NGOs developed a mentality of dependence on the donors. As the available funds were not unlimited, NGOs began to compete for financial support, which led to a lack of trust and the blocking of information on the activities of various organizations and how they were being funded.<sup>10</sup> Few NGOs were able to demonstrate clarity of vision, the ability to develop a profile and their own capacity.<sup>9</sup>

It would be unrealistic to expect an immediate and impeccable performance on the part of both international donors and local NGOs. After all, this has been a new experience for both sides that involves much learning through error. The Mott Foundation, SNF and KBF name the following lessons derived from their multi-year involvement in the post-conflict situation:

1. Sensitivity to the local context is essential. There is no template of approaches applicable to all societies, and the expertise of international partners should not be imposed as the one and only correct approach. 'External partners should avoid monopolizing control over vision, leadership and priority-setting. Instead, it is important to cultivate in-country capacities in these areas from the beginning'.<sup>9</sup> KBF designed its approaches 'from inside out', investing much time in consultative process over strategy development, so that to ensure contribution of the people from the region.<sup>16</sup>

The relationship between the international partners and the local staff is crucial for programme success and requires effort to build in an effective way. The international partners are often essential to sustaining programmes of the local organizations, due to their ability to reach directly across the barriers of conflict, break down the sense of isolation that many individuals and NGOs experience, and provide access to valuable resources. However, when the international partners claim full expertise on the activity pursued together with local partners, this often brings resentment among local partners.<sup>9</sup> It is essential, therefore, to establish a clear vision of the values, strategy and sharing of responsibilities between the international and local partners from the very onset; also financial relationships and expectations must be clear and predictable.<sup>9</sup>

2. Capacity-building is more effective than project support. 'Broad issues such as ethnic relations and civil society do not lend themselves to short-term quick fixes'.<sup>5</sup> They require long-term commitment. 'General purpose funding allows for flexibility and a broad set of activities, as well as a long-term focus. The Mott Foundation does not fund projects for less than two years. Most current grants are for three years, many of which are renewed. Mott usually stays with the organizations it supports'.<sup>5</sup>
3. Choice of partners is crucial. The challenge is to discern capable partners in the multitude of organizations seeking assistance, and to 'select those partners which are guided by their own thinking and programming, unlike those who primarily aim to decipher the donor's ideas and adjust to them'.<sup>8</sup> The SNF look in their local partners for the 'ability to focus and to differentiate global from local issues, strategic aspects, short term goals from long term ones, as well as a sensible and rational

approach to different forms of cooperation with NGOs, networking and coalition building' in their partners.<sup>8</sup> The KBF names creativity, devotion, ability to think strategically, openness to learning and partnerships as the main features they seek in the foundations' partners (see FN 15, p. 10). The Mott Foundation prefers working with teams rather than relying on single activists. Although this approach is more demanding, it ensures sustainability and has an indirect effect in encouraging local people with leadership qualities to cooperate and build teams. The Mott Foundation also cooperates with already existing organizations and social institutions, even from the pre-conflict era, as they may be more credible, experienced and effective than newly established ones.<sup>9</sup>

4. Training programmes should be used as a strategic tool to achieve wider aims, rather than being an exercise in their own right.
5. Conflict resolution efforts should not be linked to NGOs only. It is essential to develop a capacity for effective official government action that addresses ethnic issues and resolves disputes. For example, the Mott Foundation has supported several initiatives to encourage learning by state officials.

NGOs are not the only local partner for philanthropic foundations. The success of philanthropic assistance often depends on the government of the recipient country.

### ***Relations with the governments of the recipient countries***

While both Mott and SFN foundations have engaged with representatives of the government either in an official or semi-official capacity, only the SFN have made a deliberate effort to be involved in the policy process. This formed the major divergence in the strategies of the two foundations.

SFN's rationale for assisting policy process is the belief that systemic changes cannot be achieved only by particular micro-programs, as they primarily require activities that are directed to (re)shaping the fundamental principles of the system and its segments.<sup>8</sup> 'Donations and projects may still have a limited impact on larger problems . . . it is more effective in some cases to support the governmental effort to address the problem instead.'<sup>6</sup> Thus, in September 2000, OSI-Croatia signed a Letter of Cooperation with the Government of Croatia which established cooperation in the areas of education policy, cultural policy, small and medium enterprise development and decentralization of public administration. These projects were finished by 2004, but the organizations and structures produced in their course created a more long-term capacity and legacy of the OSI-Croatia (soros.hu, online).

Unlike involvement in the policy process, which is a strategic issue and a matter of choice for a each foundation, involvement and cooperation with other international organizations is strongly recommended by representatives of both Mott and Soros Foundations, as well as in the literature (Vuco, Veirs, Papic, 2001).

### ***Cooperation with international and other organizations***

Charitable foundations have not been the only foreign actors assisting in the post-conflict South-East Europe. Other international agencies have included:

1. organizations with global outreach (UNDP, UNICEF, the World Bank),
2. regional organizations (Council of Europe, European Union), and

3. governmental agencies (USAID, SIDA). Some of those organizations administer significantly larger resources than charitable foundations. Both Mott and the SNF have found cooperation with other agencies to be beneficial and effective for the overarching purpose of democracy promotion, and have established partnerships with international organizations.

Thus, the SFN worked closely with European Agency for Reconstruction, which was a major external agent in the Balkans.<sup>6</sup> Other SFN's partners include USAID, DIFID and a number of small Scandinavian, Swiss, German, Japanese organizations. The Mott Foundation created partnership with the German Marshall Fund of the US and USAID to establish the Balkan Trust for Democracy in 2003, a \$27 million grantmaking initiative to support good governance in eight countries of the Southeastern Europe.

Philanthropic foundations have also entered partnerships with each other. In 1996, KBF and SFN launched the 'Improving ethnic relations in Southeast Europe' programme, which Mott Foundations joined in 1997. By 1999, the programme supported 230 projects in fifteen countries at community, national and regional level. In 1999, the scope of the programme was narrowed to seven countries, and in 2001 to five, considered most vulnerable (see FN 15, p. 9).

One major criticism of other agencies representatives of Mott and SNF name is overemphasis on humanitarian relief. 'Although assistance to address the humanitarian crisis, especially in the immediate aftermath of the conflict, is valuable, it is important to realize that humanitarian relief is a bottomless well that creates a culture of dependency and an even larger demand for assistance'.<sup>6</sup>

While it is not always possible or desirable for philanthropic foundations to enter partnerships with all international organizations in the area, it is essential to ensure coordination of activities with them. 'Absence of coordination among donors not only creates a mess for themselves, but also for the community and leads to many mistakes. As international donors in post-conflict areas still represent a fairly small circle, it is not that difficult to be visible in the donor world'.<sup>6</sup>

To remain valuable partners, the philanthropic foundations under study constantly evaluate, analyze and adjust their strategies.

### ***Organizational challenges to the philanthropic foundations***

International involvement may prove to be a tremendously important step for a philanthropic foundation. From the organizational point of view, it can face at least two challenges:

1. lack of the knowledge with regard to the situation on the ground.
2. administrative regulations in the home country, which may allow only large-scale donations.

There are two possible solutions to the problem of lack of local expertise. One is to periodically send a team of experts or consultants into the area. This approach may be effective, but often entails huge overcosts.<sup>6</sup> Both the Mott Foundation and SFN have opted to maintain a local presence instead.

'To have a presence in the region is essential. It does not necessarily mean that we give money directly. But meeting with people on the ground, with indigenous NGOs, and not

working through too many intermediaries allows us to develop an understanding of the context, the needs, and make grant-making more effective'.<sup>5</sup> SFN's commitment to local presence meant that the foundations were registered as local organizations; with 97% of staff being local. "We trust and believe in the local officers to guided policies. They know the situation and the needs because they have lived there through all the troubles".<sup>6</sup>

A textbook on conflict resolution and post-conflict development suggests the following list on the essential qualities required by local staff: collaborative working style, a high degree of flexibility, patience, and creativity, experience in war-torn environments, political astuteness, and appropriate language skills (see FN 2, p. 730). The Mott Foundations principles of choosing its staff were more opportunistic. There was no specific profile for international and local staff. Rather, the foundation looked for the right combination of staff with skills, from people who have studied political science and international relations to those to have experience of grantmaking on the ground. The key skill sought was the ability to be generalist: to understand a broad context and its many individual pieces, to be sensitive to the political, economic, social situation at different levels while maintaining a focus on the values of the foundation.<sup>5</sup> These are essential qualities given the staff's wide room for discretion.

Both foundations have given a wide remit to their local offices. At the Mott Foundation, the board approved a 3 to 5 year plan on the basis of an assessment of the needs and opportunities for the foundation to make a difference given its resources and staffing. The local offices then matched these broader interests with specific objectives. They identified grants that help achieve the foundation's aims, and reported to the board on an annual basis. The local offices thus had influence over the shaping and evolution of the foundations' strategies. The foundations of the Soros network had their own boards of trustees, which worked out their own strategy and vision for each foundation. The Open Society Institute's New York office only approved of the executive directors and of the general trends of the programmes, without getting involved in details of particular projects. In terms of local office staff numbers, they were fairly small. The Mott Foundations maintained four programme officers in its Prague office in the early 2000s, each of them covering four to five countries. The Soros Foundation employed up to twenty persons, the majority of whom were local.

Another means of strengthening the foundations' impact is to employ regional approach, which both foundations have adopted. 'The regional perspective is important as many of the issues are common throughout the region. Consequently, many of the solutions are common, and often require greater cooperation across borders, greater collaboration on particular problems, such as ethnical relations or the environment, EU accession or promotion of community level citizen engagement. A vibrant exchange in the region and sharing of experiences creates a synergy effect, as learning spreads between peoples in the region'.<sup>5</sup>

KBF has sought to 'challenge the traditional methods of financing, where strict budget consistency was of greater importance than the final impact of intervention' (see FN 15, p. 69). Creativity and flexibility have proved the main solution to the challenge of overcoming local and home administrative barriers. The Mott Foundation faced the conflicting challenge of its own restriction to provide grants of no less than USD 50,000 and the priority to get funding reach small local NGOs. "One of the biggest challenges of the region is to ensure that the money goes to very local and small NGOs in rural areas, and not only to large NGOs in urban centres. Such small organizations may require only tiny financial support. Without creativity, we would not have handed 500 small grants in

Bosnia. To get money to the very local groups despite your own administrative restrictions requires creativity".<sup>5</sup> Mott found a solution to this problem through the means of money regranting, and established two routes for the purpose. One was to employ US or Western-based grant-making intermediaries (such as CARE, National Endowment for Democracy). Another was to work through national or local foundations which had grant-making capacity in their countries. Where feasible, the Mott Foundation preferred to work with local organizations.

Creativity and flexibility often lead to larger-scale adjustment of foundations' strategies. The evolution of such strategies is the next subject of discussion.

### *Organizational Evolution and Innovations*

As the developments in the post-conflict South-East Europe had been very dynamic, the foreign donors needed to 'breathe with the history of the country'<sup>6</sup> and continuously adjust their policies and strategies to the changing circumstances. The foundations have also been susceptible to the global economic environment and its fluctuations, such as the global economic downturn of early 2000s. It appears useful, therefore, to follow the evolution of the Mott Foundation and SNF's strategies over more than a decade of their involvement in post-conflict South-East Europe.

The SNF has undergone two phases in its development. During the first, 'revolutionary' phase, since the establishment and until 2002, the foundation assisted at all levels, from small ideas to large projects, and got involved in many aspects of social development, such as education, law, human rights, democracy promotion. There was no strategic plan; the foundation was driven by the idea to support and promote the seeds and features of open society in the post-conflict countries. The second phase, which the foundation entered in 2002, aims to turn the network foundations from fully-financed into semi-financed. Eventually, the existing institutions are to be transformed from grant-making bodies, as they were initially, into advocacy organizations, the watchdogs of a democratic society.

The SFN names strategic flexibility and the emphasis on the local capacity as its main organizational innovations. Older US foundations with a rigid structure may have a more complicated way of decision-making. They might be thwarted by legal barriers for small grant-making and thus do not often go to postconflict situations. Such foundations would rather give through another organizations, or send experts to assess situations.<sup>10</sup> SNF finds it much more effective to have local people on the board who feel and drive the needs of their societies.<sup>6</sup>

The Mott Foundation's innovations are somewhat different given the foundations' long-term involvement in its country of origin. International involvement was a tremendously big step for the Mott Foundation. It quickly became clear that international and domestic activity of the foundation required different approaches. At home in the US, the foundation's work is substance-focused. It addresses very concrete problems and policy issues, such as poverty alleviation. The Mott Foundation's work abroad, on the contrary, contributes to an overall social transformation towards democratic system:

"We have not tipped one issue. Instead, we are interested in building the capacity of the non-profit sector in general to address the range of challenges and issues that the societies face. We do not get involved in policy-making of the new states, but rather foster the capacity of people to organize and be involved in the process by which regulations about welfare or environment or minorities are developed and implemented. Thus, Mott seeks to help the government and the people to make decisions for themselves".<sup>5</sup>

Therefore, a major strategic innovation for Mott has been to manage two diverse focuses: the focus on process for the international work, and the focus on substance for domestic activities.

The economic slowdown of the early 2000s has posited another challenge to the foundations. The Mott foundation addressed it in two ways. One was to set aside all the finance money for the whole programme in its first year. Another was to provide few large one time grants rather than get involved in a lot of new relationships.<sup>17</sup> The foundation has been able to make cuts on some of the more expensive grantage to international organizations and maintain the relations with the local bodies, which was always in line with the foundation's priority of rendering support at the local level. Another change was the operational decision to close the Prague office: 'It is an evolutionary development. The opening of the office in the early 1990s was important symbolically, and programmatically. Now the situation has changed, and the region is not as cohesive as it has been before. Presence in the region is maintained, and we hope to keep the closeness to the region that we have'.<sup>5</sup>

Overall, the strategy of both foundations has been to empower and develop local partners, then withdraw gradually later and leave the situation in the hands of the local people. Such a strategy, in the foundations' own perspective, proved a success and did not have strategic weaknesses.

### *Strategic Weaknesses*

In such a large-scale and new undertaking as involvement internationally in a post-conflict situation, it is hardly possible for philanthropic foundations to avoid some pitfalls.

'Mistakes are almost inevitable, and no foundation is ensured against them'.<sup>5,6</sup> The SNF admit to having made mistakes in 'terms of choice of partners, in the field of financial distribution and policy making'.<sup>6</sup> The Mott Foundation has recognized that 'some programmes had, at best, an ephemeral impact; some projects did not take root and either ceased to exist or changed their mission'.<sup>9</sup> Both foundations have withdrawn funding from some of the local partners. However, these were seen as unavoidable part of learning by doing, and problems of tactical, rather than strategic character :

'There has been no issue or topic which we initiated and decided to abandon'.<sup>5</sup>

When asked about the perceived mistakes of other international organizations, representatives of both foundations named 'trying to teach and think that they can do a better job than the locals'.<sup>5,6</sup>

### *Philanthropic Added Value*

Philanthropic foundations' material capacity is often considerably smaller than the resources of some inter-governmental and non-governmental organizations involved in post-conflict areas. Are the foundations capable, therefore, of making a distinct contribution to the situation? What is the philanthropic added value, a specific impact of philanthropic foundations, different from the effect of other international and domestic actors?

One element of the philanthropic contribution to post-conflict settlement is the support of civil society on the ground, which is, in turn, an indispensable element of democratic regimes. Local civic initiatives are crucial in developing a culture of peace and creating a wider support for the official peace process. They can provide a valuable service by promoting understanding and contact between antagonists through facilitation and



dialogue and can do this in quiet settings away from the spotlight of official negotiations.<sup>18</sup> To give one example, the Centre for civil society in Livno and Travnik in Bosnia promoted cooperation between Muslims and Croats through tangible project activities, such as assistance to returned refugees or building a road. These institutions, although not formally linked with Dayton Peace Accords, fostered the spirit of these agreements at the community level.

Also, the philanthropic foundations have the ability to involve specialists, experts, mediators, which may not be available through governmental arrangements. They are able to reach the areas, spheres and issues to which foreign governments and international organizations, operating on the national level, may have no or little access.

Another major 'philanthropic added value' of the foundations' work, however, has been the introduction of the idea of philanthropy into the transforming post-conflict societies.

As Walter Veirs<sup>5</sup> of the Mott Foundation says: "We do not aim to do something for the governments or the people, but to demonstrate how things can be done and why philanthropy in general is important. There is no way we could fund all the education, or health, or arts policies. All foundations have to realize their limitations. We should not take over, but instead help start processes which can be taken over by the government and the local philanthropy."

Beca Vuco<sup>6</sup> of SFN concurs: "We are not the major players in the area and will be gone one day. However, we are introducing philanthropy to that part of the world which did not know about it for a long time. We bring in a whole idea of charitable attitude, not only in terms of donating, but also volunteering and participating. By being present at this crucial time in this part of the world we managed to move other people to think the way we do in a sense of voluntary, charitable work and organization. We have changed the way of thinking. We have accelerated the process of democratization. Sometimes I ask our local partners in the Balkans "Can you imagine a time without Soros"? "Lord, it is hard to imagine", -they answer."

It is not so much expertise or material resources that make philanthropic foundations' involvement so crucial in post-conflict situations. What arguably matters most is that the foundations are the strongest proponents of a change of the social mindset from disruptive to constructive, from hostile to friendly, from secluded to cooperative, all of which are the tenets of a sustainable democratic society.

### ***Taking it Further***

This case study has built on the experience of philanthropic involvement in post-conflict South-East Europe. Yet the lessons derived from it are arguably applicable to other regions of the world affected by conflicts, such as Africa, Middle East, or South-East Asia. Conflicts certainly vary in terms of the subject of contention, scale and degree of violence, the intensity of division in the society, the previous and post-transitional balance of power; capacities and resources inside the political leadership.<sup>19</sup> Yet, the imperative of philanthropic post-conflict involvement is universal, and namely to sustain peaceful and democratic development through encouragement of individual and community cooperation at the local level.

Involvement of charitable foundations in post-conflict situations abroad is a field already pioneered but not yet thoroughly explored. It is full of caveats and challenges, and the results are rarely immediately obvious; however, they are arguably worth pursuing.



'The effects of conflict resolution assistance have been more broad than deep, more steady than remarkable, and given the circumstances in the region, rather extraordinary'.<sup>9</sup> As Melissa Bermeo of Rockefeller Philanthropy Advisors testifies:

'There seems to be many barriers to giving internationally, many of which are very real and need to be dealt with, but some of which really are more at matter of perception than reality . . . such barriers are not as great as they might appear to be on the first blush, and international giving is really worth pursuing. That can be tremendously rewarding'.<sup>14</sup>

### Lessons for Strategic Philanthropy

1. Establish a presence. Get an as best on-the-ground understanding of the context as you can.
2. Ensure sustainability. Focus your support on building long-term local capacity.
3. Be creative. Find ways to overcome administrative restrictions and send your money to the right place, however small or local.
4. Be flexible. Look constantly for opportunities and evaluate them continuously against your values and objectives.
5. Choose your partners in the post-conflict situation carefully and do not limit them to newly-established NGOs only.
6. Coordinate and cooperate with other international agencies in the area.
7. Do not apply one and the same model, concept or standard to all situations. Appreciate the local context and expertise of local partners.
8. Diversify approaches and use a multilayered focus to achieve a powerful impact. To avoid dissipation of energies, however, maintain a total picture of the foundation's purpose and to ensure that particular projects are adjusted to fit into that picture.
9. Base the relationship with the local staff on a clear, shared vision of values, trust, respect and an unambiguous division of responsibilities.
10. Prepare for a long-term commitment. Post-conflict regulation is a process rather than a project.
11. Approach a region as a whole and maintain a clear picture of regional developments.
12. Invest not only money, but also effort, time and research.
13. Employ a diversity of approaches and a multilayered focus.
14. Spend time building trust and skills on the ground . The most successful starting strategy is to identify the areas where common efforts could produce tangible results quickly. Another effective way to draw on cross-cutting groups identities (women, youth, university faculty, NGOs leaders).
15. Do not be threatened by borders and barriers. It is possible to fulfill your vision.

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## THE INFRASTRUCTURE OF GLOBAL PHILANTHROPY: WINGS AND WINGS-CF

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Diana Leat

### Introduction

This case study of WINGS (Worldwide Initiatives for Grantmaker Support)<sup>1</sup> and WINGS-CF (Worldwide Initiatives for Grantmaker Support for Community Foundations)<sup>2,3</sup> is not primarily about global philanthropy as cross-border giving; rather it relates to the globalization of philanthropy defined as the process of spreading philanthropic institutions and practices globally. Although these two meanings of 'global philanthropy' are analytically distinguishable they are related in practice insofar as the globalization of philanthropy, as defined above, is a necessary accompaniment, if not condition for, the growth of cross-border giving i.e. global philanthropy.

Cross-border giving presents legal and trust problems for US, and other national, foundations. Legal tax-related problems arise if US foundations do not give to public charities, or charities that fulfil the US criteria of public charities, and if they cannot demonstrate 'expenditure responsibility'.<sup>4</sup> Trust problems arise because foundations cannot so easily assess and monitor out of country grants, and because cross border grant recipients may be perceived as less 'educated' in the norms of good practice. Thus a condition for the growth of cross-border giving is, arguably, the concomitant export of acceptable styles of philanthropic institutions and norms of good practice.

The globalization of philanthropy has been further underlined by the trend among many US foundations to move away from giving directly to local NGO's and toward supporting the creation of a philanthropic infrastructure in the form of, for example, community foundations.<sup>5</sup> The advantage of the latter strategy over the former is that it is seen to be self-sustaining and that it reduces some of the legal problems in cross-border giving.

### *Description of Case*

WINGS is one of several initiatives within the category of globalization of philanthropy. WINGS is supported by foundations, but is not itself a foundation; it has no asset base and it does not give grants. It does not seek to change grant-making priorities in the

direction of cross-border giving so much as to influence the role and practice of philanthropy as a strategic force for change within individual countries world wide. It is a network not of individual grantmakers but of grantmaker associations and support organizations. WINGS may be seen as a global actor in that it aspires to work world-wide to support and encourage sharing of practice and advocacy among organizations that support the development of philanthropic institutions and good practice.

## **The WINGS Organization**

### *Roles*

WINGS describes itself as ‘a meeting place for those engaged in building the institutional infrastructure to support global philanthropy.’ More specifically, it aims to:

- > Create opportunities for grantmaker support organizations to learn from and support one another;
- > Develop modes of communication and collaboration between grantmaker support organizations; and
- > Contribute to the strengthening of philanthropy worldwide.

WINGS evolved out of the recognition that grantmaker support organizations needed a forum in which to discuss the variety of common issues related to their support of grantmakers worldwide.

The functions of grantmaker associations have been described as providing opportunities for networking, sharing ideas and best practice, mentoring relationships, advice and technical assistance, collaborations on issues of common concern. In addition, ‘National associations and support organizations also play a key role in the public policy debate over the role of foundations in national life, and the regulation of foundations and nonprofit organizations. They do research on philanthropy and the law and promote legislation to create a more supportive regulatory climate for foundations and other nonprofit organizations’ (Sacks, E. *The Growth of Community Foundations Around the World*, 2000, 46-47).<sup>6</sup> These functions of associations of grantmakers are very much the functions WINGS aspires to world-wide.

One exception is the public policy role. WINGS does not itself seek to fulfil a public policy role. It is debatable what sort of role global associations can play in law, regulation and public policy debates not least because it is not clear who the audience would be. On the other hand, members of WINGS believe that the information it provides, as well as the legitimacy acquired by membership of a global movement, enables organizations to lobby more effectively in their own countries e.g. philanthropy friendly policies and legal frameworks.

### *An Association of Associations*

WINGS was a project initially hosted by the Council on Foundations and is now hosted by the EFC; in 2006 it will move on again. One reason for regular rotation of host bodies is that this enables WINGS as a global organization to avoid tying itself tightly to any one country’s governance and fiscal regulation practices and cultures.

It is not a membership association but ‘a network of participating organizations that share a common interest in and fundamental commitment to promoting indigenous giving

and philanthropy'. WINGS is composed of two related networks. The 'parent' body Worldwide Initiatives for Grantmaker Support (WINGS—sometimes referred to informally as 'big WINGS') is now a growing global network of over 100 membership associations serving grantmakers and support organizations serving philanthropy. WINGS-CF (community foundations) is a constituent part of WINGS focusing on organizations supporting the development and work of community foundations in different areas around the world. Among other things, WINGS-CF helps these support organizations to link with peers, and to share information and experience.

Thus WINGS and WINGS-CF are not associations of foundations, but rather networks of national and regional associations of foundations along with some other organizations supporting grantmakers.

### *Membership*

The WINGS network is currently (2005) composed of two thirds membership associations serving grantmakers and one third general purpose organizations serving philanthropy. Sixty seven of WINGS one hundred members are also members of WINGS-CF.

### *Governance*

The leadership and direction of WINGS is the responsibility of the international WINGS Coordinating Committee, comprised of 15 senior executives from participating organizations.

WINGS-CF is governed by an Advisory Committee whose role is to advise and guide the Secretariat on planning, implementing and maintaining policies and activities. There are 12 members drawn from network participants. Members serve for 3 years and terms of members are staggered to ensure continuity. The Chair is selected by the Advisory Committee for one year.

### *Staffing*

The WINGS Secretariat was formerly hosted by the Council on Foundations in Washington, DC, USA, while the WINGS-CF Secretariat was formerly hosted by Community Foundations of Canada in Ottawa, Ontario, Canada. On 1 January 2003, the combined WINGS and WINGS-CF Secretariat, which carries out the organization's daily work, rotated to the European Foundation Centre in Brussels, Belgium. As noted above, rotation of the Secretariat is seen as essential to ensure that WINGS does not become identified with any one country or culture.

When WINGS and WINGS-CF moved to Brussels in 2003 they began to share staffing. In 2005 WINGS and WINGS-CF employed 3 members of staff, and has one intern.

### *Funding*

WINGS does not collect dues from its participants. WINGS has been funded by a number of large(r) foundations, with The Ford Foundation and Charles Stewart Mott Foundation as founder funders. Other supporters have included: ChevronTexaco Corporation, American Express Company, Charities Aid Foundation, Bernard van Leer Foundation, German Marshall Fund of the US, Vancouver Foundation, International Development Resource Centre, Alti Corporation.

### *Activities*

WINGS has five program components:

- Information and Communication
- Organizational Development
- Convening International Meetings
- New Initiatives
- Strategic Visioning

### **WINGS as a Global Actor**

#### *History*

WINGS began running activities in early 2000, but has a rather longer history. Interest in an international association of associations serving grantmakers arose from discussions and meetings hosted by the International Committee of the Council on Foundations. After two years of planning by a 13-person committee representing various associations serving grantmakers from around the globe the first International Meeting of Associations Serving Grantmakers (IMAG) was held in Mexico in 1998. The meeting was designed to open a dialogue among associations whose mandate focuses entirely, or in part, on serving and supporting grantmakers and foundation-like organizations.

Meetings at this first IMAG explored how these associations ‘can increase their capacity to serve their grantmaking members and through them to strengthen the nonprofit sector around the world’ ([www.wingsweb.org](http://www.wingsweb.org)). More specifically, IMAG sought to:

- Explore the context in which grantmakers operate.
- Increase knowledge of operational issues of grantmaker associations.
- Build connections among grantmaker associations.

The meeting was attended by 82 participants from 25 countries representing 23 associations in various stages of development. Evaluations of the meeting showed that it was successful and that the participants wanted to continued interaction through peer learning programmes and a website. As a result, the new coordinating committee prepared a proposal to implement peer exchange programmes and further develop the website ([www.imag.org](http://www.imag.org) became [www.wingsweb.org](http://www.wingsweb.org)), as well as commission a monograph on associations and stage another meeting in 2001.

Meanwhile informal meetings at IMAG had led to a meeting specifically for associations supporting community foundations, held in Miami later in 1998. In 1999 the community foundation support network and IMAG came together as WINGS (Worldwide Initiatives for Grantmaker Support). WINGS-CF held its first formal international gathering in Ottawa in 2000 and IMAG II—renamed Wings Forum – was held in March 2002.

The aims of Wings Forum 2002 were to:

- To renew and continue growth of the WINGS project
- To highlight member associations

- To further diversify the network of community organizations
- To learn
- To address governance rules
- To continue moving the WINGS agenda forward; both internally and to parties outside the project' [www.wingsweb.org](http://www.wingsweb.org)<sup>7</sup>

The remainder of this case study will focus on WINGS-CF. WINGS-CF has met more often than WINGS and its work is better documented. In the context of globalisation of philanthropy WINGS-CF is interesting in that it has focused on the development of a particular form of philanthropic institution—the community foundation—and its work more clearly illustrates some of the difficulties involved in the process of globalizing philanthropy.

### 3.2. *WINGS-CF*

WINGS-CF is very much a membership driven network. This is reflected in its statement of principles:

- 'Diversity: we will strive to reflect the richness of our worldwide movement – its cultural differences, geographic scope, varying organizational types and stages of development
- Accountability: inclusiveness, openness, transparency and mutual respect will guide our decisions and actions
- Participation: input and ideas from all WINGS-CF participants will be encouraged
- Dissemination: results of discussions and activities will be broadly shared on a timely and ongoing basis' [www.wingsweb.org](http://www.wingsweb.org)<sup>7</sup>

Participants at the first meetings in Mexico and Miami identified a number of projects to be undertaken by Working Groups and the Secretariat. These included: a directory of support organizations and mapping of funders, production of a monograph and case studies of support organizations (part of a two volume study), creation of a compendium of resource materials and of a common classification system to help members access the information, creation of a pool of resource people/organizations to provide mentoring, support and consultation.

The monograph and associated case studies were seen as a 'visionary and inspiring statement of the role and value of support organizations within the field of philanthropy'<sup>7</sup> reflecting the diversity of the 'movement' and to be broadly disseminated. 'The monograph was to be an intellectual piece aimed at policy makers, funders, and members' (64).

Suggestions for further work have been similarly membership driven. For example, each session of the Ottawa and Sydney WINGS-CF meetings ended with identification of further work members would like to see undertaken.

Following a global meeting of community foundation practitioners and support organizations held in Berlin in 2004 the WINGS-CF Advisory Committee developed a new (additional) focus for WINGS-CF around taking opportunities through national and international events to:

- 'strengthen the arguments in favour of community foundations to persuade funders to support community foundation development



- promote the community foundation role in social and economic development to private companies and to government
- find ways in which the argument can be made for the vital importance of community foundation support organizations too, and
- develop links with multilaterals (World Bank, European Union etc) to raise the profile of community foundations and their support organizations, and also aim to generate increased resources for the field.<sup>8</sup>

The Berlin meeting was not only the first global meeting of community foundation practitioners but also the first time WINGS-CF had been involved directly with community foundations rather than their support organizations.

It is worth noting here use of the term 'movement' above. This term is frequently used in WINGS-CF meetings and may serve to create important emotional bonds between otherwise diverse members of different size, age, function and in different parts of the world, and thus with different needs.

### ***Key Activities***

Arising out of members' wishes, to date WINGS-CF has produced:

- a series of case studies of organizations supporting community foundations in various countries throughout the world
- a guide to establishing a resource center
- a guide to community foundation structures and strategies to cover territory
- a compendium of resource materials for community foundations, including a glossary of terms
- a directory of organizations supporting community foundations
- mapping of funders report
- a peer matching programme
- a series of community foundation global status reports

Given its output and relative lack of staffing and resources, WINGS-CF appears to be a highly efficient organization. Its efficiency is in part a function of the commitment of its membership and much of the information is gathered from members themselves.

### ***Channels of Communication***

One of WINGS-CF's major channels of communication is the Web. 'The Web offers a time saving and an interactive potential that is very attractive' (Report of WINGS-CF Peer Meeting 2000, 62). WINGS-CF is aware, however, that access to/use of the Web is difficult, and therefore excluding, in some parts of the world and for poorer organizations. In addition, there are issues around the almost sole use of English within the network. To attempt to ameliorate this problem WINGS-CF has developed a translation fund.

Partly because of its recognition of the limitations of electronic communication, WINGS-CF also places considerable emphasis on the value of face to face communication via peer learning meetings and wider WINGS conferences. The 'peer exchange' (now called WINGS-CF One-2-One) is a peer learning programme that 'matches' two community foundation support organizations, usually at different stages of development; one support organization receives a small grant to cover expenses to spend around a week with the other support organization focusing on topics of its (the visitor's) choice. These

exchanges have been very well received with participants emphasizing the value of the learning, relationship building, networking and support that the visits provide. Exchanges are also seen as a means of highlighting to the community foundation support organizations' Boards, and to donors and the local media, the worldwide character of the community foundation movement, thus providing further legitimacy within countries and globally.

### *Effectiveness*

WINGS and WINGS-CF are still very young organizations and it is probably too early to assess fully their effectiveness. WINGS-CF has certainly been very active and productive in terms of both resources and meetings held. Its membership continues to grow, and its members express appreciation of its products and support. WINGS-CF is described by members in terms such as: 'a valuable forum for sharing information and for fostering a sense of togetherness in developing philanthropy through building and supporting community foundations', and 'providing a wonderful delivery system for community empowerment internationally'.<sup>9</sup>

Community foundations are civil society organizations themselves, and at their best, they promote and support other civil society organizations. The number of community foundations worldwide, and their support organizations, has increased. How much of this growth can be attributed to WINGS-CF is difficult to gauge; certainly, WINGS-CF has added value in promoting community foundations, via their support organizations, by raising their profile, providing knowledge and comparators on conducive legal and tax arrangements, and giving legitimacy and inspiration for potential funders and start-ups. The very existence of a global network gives a new legitimacy to community foundation support organizations, and to community foundations themselves, not least by promoting and supporting the claim that they are the fastest growing form of philanthropy. Feeling part of a worldwide movement is not only important in conferring external legitimacy (encouraging donors and potential donors, governments, and trans national giving) but is also valued by member support organizations. Community foundation staff (in foundations themselves and in support organizations) often work alone, and frequently face an uphill battle especially in the early years; the support of others, however distant, is frequently said to be of considerable significance. The importance of support and of feeling part of something bigger should not be underestimated in the case of small, new support organizations/departments working alone in often difficult environments. However, the very fact that these organizations are mostly new and often struggling, with few opportunities and resources to come together face to face presents obvious challenges in building a global network.

The practical advice and support provided by WINGS-CF has added value in preventing constant 'rediscovery of the wheel', encouraging thoughtful practice and persistence in the face of obstacles and set backs.

Provision of practical knowledge and information via electronic communication appears to have been a highly effective strategy for WINGS-CF. It is worth noting here that this provision of information and knowledge has been complemented by challenge and other grants from funders, especially US funders. Without the availability of financial resources to kick start community foundations and their support organizations WINGS-CF's strategy might not have been as apparently successful. This highlights the obvious point that the effectiveness of global networks need to be considered in interaction with other factors.

As discussed above electronic communication has some weaknesses and WINGS-CF meetings and the peer exchange programme appear to be equally, if not more, valued by those able to participate. Again this may be not a matter of 'either/or' but rather one of

synergy and added value. Personal communication may facilitate and enrich electronic communication.

## Challenges in Global Acting

### *Channels of communication*

One obvious problem for organizations aspiring to act globally is simply the means of communication. Electronic communication is clearly cheap but it may not be sufficient for maximum effectiveness. As noted above, it may be excluding of some groups (especially those in poorer countries and for whom English is not an easy means of communication). Electronic communication may need to be supplemented by face to face communication. As one participant at the Miami meeting noted 'I'm old fashioned enough to need to meet people first to communicate comfortably with them electronically'.<sup>10</sup> But face to face communication is also limited by cost, time and other practical considerations. Face to face communication is likely to be similarly excluding of the poorest countries, sometimes the very newest community foundation support organizations and those with limited English.

The key tension here for global actors may be between, on the one hand, cost-efficiency and reach in terms of numbers and, on the other hand, accessibility, inclusiveness, and effectiveness with newer, smaller, poorer (and non-English speaking) organizations.

In order to go some way toward overcoming these difficulties WINGS-CF has developed peer learning events at which 15 or so support organizations meet to focus on particular topics; these events provide face to face contact with enough time to explore a topic in depth, and usually lead to increased electronic communication between participants.

### Language

The issue of finding a common language has been dealt with above, but is worth emphasizing again given its centrality to the difficulties of working globally.

WINGS-CF is attempting to address these language difficulties. In 2003 WINGS-CF held a regional meeting for Latin American and Caribbean support organizations with simultaneous translation in several languages. It has also developed a Spanish website, and publishes details of available translated materials.

### Terminology and Concepts

Even when members/audiences speak a common language they may not share the same meanings and concepts. A common language can be dangerously misleading.

For example, the term 'philanthropy' is not widely understood in many countries, and the term 'community' may also have different, or little, meaning in countries divided by religion, race and gender. Similarly, the term 'foundation' may be little used, or used to refer to any nonprofit organization.

### Culture and Tradition

One of the key issues in globalizing philanthropic institutions is that although philanthropy—giving—has a long tradition in most countries, the notion and practice of institutionalized philanthropy does not. This raises tricky issues concerning the relationship

between promotion of community foundations and other forms of indigenous community based philanthropy.

One particular problem relates to ways of securing financial independence and sustainability for both community foundation support organizations and for community foundations themselves. Traditionally, in the US and the UK especially one dominant model of independence and sustainability has been via endowment, building a corpus of, preferably, untied, money for use in perpetuity. But, in some countries and value systems the notion of endowment does not exist, and in others it is ethically problematic. In other countries, the notion of endowment may be acceptable but if financial markets are unstable, it may be of debatable relevance in practice.

One of the challenges and opportunities of a global network of community foundation support organizations is to identify ways of securing sustainability and financial independence that are culturally appropriate, and take into account the different philosophies of the community foundation movement as providing services to donors and/or acting as civil society organizations.

#### Legal frameworks

One of the important barriers in globalizing philanthropy is the lack of conducive legal and tax frameworks in many parts of the world. Some countries do have incentives for those who donate for charitable purposes; other countries do not have any specific legislation in this field, and a few have legislation that discourages this type of giving. In some cases the legislation is so complex that most people find it hard to understand what exactly is allowed or possible. In Bulgaria, for instance, gifts in cash to any charitable NGO must be cleared of any suspicion of money laundering before being accepted, something that most community philanthropy organizations find too burdensome and difficult to prove. On the other hand, and this is related to professionalisation, many community philanthropy organizations are not fully aware of the scope of their legal and taxation systems and unable to advise potential donors of the benefits that they might get.

Although, as noted above, WINGS-CF sees dealing with legal frameworks as the role of member support organizations, the diversity of frameworks presents obvious challenges for WINGS-CF in offering support and advice to its members globally.

#### Diversity vs Focus

The philanthropic sector is notoriously individualistic. Community foundation support organizations are no exception and the report of the first community foundation support organization meeting in Miami described the support role at national level as akin to 'herding cats through a fish market'.<sup>10</sup> Global networks have to work with the individualism of national support organizations, respecting individual and cultural differences but, at the same time, highlight collective needs and interests.

The inherent individualism of philanthropic organizations, coupled with differences in culture and tradition discussed above, raises issues for WINGS-CF concerning the definition of a community foundation support organization and thus the membership of the network.

According to one dominant model, one key criterion in the definition of a community foundation is that the organization seeks to build an endowment. For reasons discussed above, this would exclude many of the organizations in other countries that

identify with WINGS-CF, and would certainly restrict membership of the network of support organizations.

The diversity of 'community foundations' and their support organizations can be seen as both an opportunity and a threat. It is an opportunity because it reflects the great potential of the community foundation concept to adapt to different local communities over time. Arguably, the very ambiguity or flexibility of the community foundation concept has been one of the key factors in its global growth. But that same ambiguity poses a threat insofar as it leads people to see the movement as lacking unity, and a common identity. In addition, the different stages of development, and the different models of community philanthropy that are being pursued in some countries, are an asset but also an obstacle, making the task of representation of the overall interests of the movement, and identifying support organizations' needs, more difficult.

For the moment WINGS-CF has decided to adopt a 'flexible' definition for membership purposes, recognizing that this matter will 'have to be re-visited'. The dilemma is that the wider the membership the more difficult it is to identify common interests, values and needs among support organizations with the risk that the network loses focus and plays to the lowest common denominator. One aspect of this, felt keenly by some members, is how it can stay close to the work of newer local community foundation support practitioners and, at the same time, serve the needs of its more established, larger members and work on a wider stage. While this is a greater problem for community foundation support organizations themselves, their needs and dilemmas have implications for WINGS-CF as an association of such organizations.

In a global network of this sort there is a further problem. Working with a narrow definition for membership may be seen as having political overtones. Definitional issues may be seen as pressures to uniformity. Again this is an issue that WINGS-CF as an association of associations does not currently need to address.

In many ways this tension between diversity and focus may be seen as reflecting wider tensions in globalization between integration and fragmentation, sameness and difference.

### Neutrality

The principle and practice of flexibility, welcoming diversity, becomes more difficult when it relates to identifying 'good practice'. As a network of support organizations WINGS-CF sees its role as helping member support organizations think about good practice rather than creating global standards itself. However, if WINGS-CF were to embrace the role of directly promoting, or assisting the spread or funding of community foundations then it would need to have standards and boundaries in order to protect itself and its members from being associated with 'bad practice'. On the other hand, as discussed above, a global movement has to be tolerant of differences.

For WINGS-CF maintaining a position of neutrality is complicated by the fact that there is a growing debate within community foundations and their support organizations regarding their fundamental values, focus and purposes: is the focus on providing services to donors or on the community; are community foundations community bankers or development agencies; is the aim to encourage and practice charity or social justice? Until now the general approach has been to suggest that these are not choices—but it remains to be seen whether this sort of neutrality will remain a viable position for WINGS-CF while preserving a coherent identity for community foundation support organizations (for discussion of some of these tensions in the US see Carson 2002).<sup>11</sup> Similarly, it seems likely

that WINGS-CF, along with other philanthropic bodies, will face growing tensions in claiming neutrality on matters of religion and morality.<sup>12</sup>

#### Financial Insecurity

Problems of financial insecurity are not confined to global philanthropic actors but may be especially acute for these sorts of organizations and networks. Global network organizations are likely to suffer from a combination of national funders' reluctance to accept responsibility for promoting philanthropy outside their own countries, the bulk of members, (and those who may benefit most from membership), being too small and under-resourced to be able to afford membership fees, and the fact that much of what a global support network does is difficult to track and thus evaluate.

Gaberman has suggested that while support for civil infrastructure bodies grew in the 1980s and 1990s without much concern for duplication and sustainability 'We are in a shake-out period where a number of infrastructure organizations will cease to exist, many more will have to downsize, and some will have to either merge or build cost-saving strategic alliances'.<sup>13</sup> This then raises an interesting question concerning with whom WINGS-CF might form alliances, if that were necessary.

#### Staying 'Global'

WINGS attaches great significance to avoiding identification with any one country. This is one reason for geographical rotation of the Secretariat. But this practice is costly in terms of organizational continuity. The challenge will be to devise processes to ensure effective transitions and protect organizational memory and accumulated skills and knowledge.

#### Areas of Uncertainty

The issue of policy influence has already been touched on above. Suzanne Feurt's notion of 'a grand vision of those groups working together with community foundations to create a movement in Europe that commands the attention of Europe's policy makers and its corporate world' (Report of the International Meeting Miami 1998:34) is not yet a reality, although this policy role is still recognized: 'the challenge to demonstrate community foundations' roles in social and economic development to business, as well as governments' (WINGS-CF 2002 Peer Meeting Sydney, Australia, March 9 2002. p9). WINGS is currently exploring its role in relating to global institutions and is beginning to be recognized by, for example, the World Bank.

## Conclusion

### *Innovation*

WINGS and WINGS-CF are innovative in a number of respects. They are unique in focusing on support of philanthropic support organizations throughout the world, providing a global pool of knowledge for members all over the world. Focusing on support organizations, rather than individual foundations, they potentially extend their reach and impact, as well as 'making the sun shine on support organisations'. In the face of huge diversity between members, they have established a functioning global network; they have

been 'light on their feet', establishing wide, 'messy' but effective networks. They have established participative, largely member-driven governance and management structures. WINGS-CF, in particular, has developed generic tools for community foundation support and development that transcend geographical boundaries. They have utilized and built on the knowledge of their members, encouraging sharing and learning, via working groups.<sup>15</sup> They have made effective use of electronic communication, at the same time recognizing that this needs to be supplemented by other methods of knowledge transfer and learning.

### *Challenges*

As noted above, WINGS faces a number of challenges, likely to face other global actors. These include: finding sources of funding (from organizations and institutions that typically have a national remit);<sup>14</sup> establishing legitimacy; finding an effective means of communication; establishing a common language; establishing a common terminology; working with established cultures and traditions; working within very different legal and financial frameworks; encompassing diversity while establishing a common identity to hold the association together; staying 'global' without loss of organizational effectiveness and efficiency.<sup>16</sup>

### **Endnotes**

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## CONCLUSION

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Helmut Anheier and Marcus Lam

Part II of this volume explored the patterns, opportunities, strengths and weaknesses of philanthropy in relation to global problems and situations where local and international philanthropic action becomes necessary. The aim was to work out the strategic role for philanthropy as a global player, and ask: does philanthropy have a strategic, distinct role in the globalization process, and where and how can it achieve greatest added value?

The various case studies presented in this part give us a broad range of perspectives and insights into a foundation's operation: from the decision to operate globally, to strategic planning, to program implementation, and, finally, evaluation. Each of the case studies addressed four analytic questions:

- > How did the foundation identify the specific needs, issues and challenges to address (i.e. mission and vision)?
- > How it developed a strategic approach to impact on these needs in the specific global or local context? What was the specific 'philanthropic added value'?
- > Which strategies/programs/mechanisms proved most effective and why for operating as a 'global actor.' What were some of the weaknesses, and why?
- > What are the implications of the case study in terms of best practices, and what are some of the wider lessons for policy and strategic philanthropy?

In the balance of this chapter, we will take a summary look at the answers suggested in each case study, and, in conclusion, will attempt an initial summary assessment.

### **How did the foundation identify the specific needs, issues and challenges to address (i.e. mission and vision)?**

What moves foundations to operate on a global level? Why do foundations shift their mission from domestic issues to global issues? While, it appears that each foundation has its own reasons for focusing internationally, it is generally the combination of an identifiable need, the opportunity for strategic intervention commensurate with available resources, and internal leadership (either on behalf of the founder, or the board). For some, such as the Soros Foundation and the Gates Foundation in which their founders are alive and actively engaged in the operation and mission of their foundations, it was simply

a matter of the founder's own personal interest. Others have an international focus already built into their mission statement such as the UN Foundation, while other foundations, such as Rotary International, was driven to address global issues by their membership base. Foundations also choose specific issues and challenges for practical reasons: as a response to a need or movement; or issues that have specific goals and measurable outcomes. However, the one overarching reason some foundations chose to address globalization issues is best stated by Giuseppe Caruso in his case study:

*"It is a shared understanding, among grantmakers, that the current political and economic regime of globalisation and the profound restructuring of the world system, has a deep influence on the philanthropic actions of foundations. This process of adaptation to the changing world environment has lead philanthropic foundations to redefine the terms of their missions and of their main goals."*

While Rotary International's campaign to eradicate Polio began initially at the behest of the Filipino Rotary club in 1979, Polio was a strategic issue for Rotary because at the time, the average age of most Rotarians at 55 implies that they can relate personally to the disease. Polio was also a strategic issue in that there was a clearly defined goal, where progress can be measured. Moreover, the organization made an effort to send Rotarians to various program areas so they could witness the impact of their work first-hand.

Rotary was also inspired by other international organizations. When the WHO successfully eradicated smallpox in 1985 for \$100 million, Chem Renouf, then president of Rotary International, felt that the same success could be reached with Polio. Renouf recognized the potentially significant resources at Rotary's disposal when considering the number of local Rotary networks in various countries. "Renouf was confident that Rotary could have a significant impact on peoples' lives around the world through polio vaccination programs," writes Nielsen. Until that time, Rotary clubs carried out service projects independently and locally; the PolioPlus campaign was the first concerted club-wide and fully networked project that maximized the leverage potential of local Rotary groups.

For others like MacArthur, the Mott foundation, and the Soros foundation, leadership was key in deciding to tackle global issues. Professor Murray Gell-Mann of MacArthur was instrumental in incorporating the environment as a key area of interest in its grantmaking strategy. Similarly, Mott Foundation's decision to extend work internationally, after more than 70 years of domestic U.S. programs, was driven by its President at the time. George Soros also has a strong interest in international issues, particularly Southeastern Europe, and played a key role in establishing Open Society Networks in that area to deal in post-conflict situations. For the King Baudouin Foundation, reinforcing the European dimension and building an international image was a factor in its decision to become involved in Southeastern Europe.

The UN Foundation is a special case in that Ted Turner, who provided the initial gift, did not have a specific agenda or issue he championed; rather, Turner took a "hands off" approach in running the foundation. He served as ceremonial vice president while Timothy Wirth and a small Board of Directors guided the Foundation's mission and agenda. From the beginning, however, the UN Foundation was established as a means to funnel Turner's gift to the United Nations; therefore, its priorities and objectives are closely aligned with UN conventions, treaties, and conferences. The UN Foundation is also unique in that its mission and values are closely related to a quasi-international governmental body and therefore had an international focus from the very beginning.

Finally, some foundations' choice of issues and challenges to address are determined by a need within the funders community or by simply responding to the needs of movements and listening to civil society organizations in emerging countries. For example, the

mission of the Funder's Network for Trade and Globalization stemmed from discussions during (and a part in reaction to) the mass demonstrations in Seattle in 1999 over the WTO conferences. While WINGS evolved from the need by grantmaker support organizations for a forum to discuss common issues; it was also driven by the recognition that the "globalization of philanthropy" is a necessary first step in promoting "global philanthropy." For issues such as workers rights, corporate accountability, and sustainable development, foundations such as Ford, Rowntree, and MacArthur, followed the lead of consumer advocates and civil society organizations like the Chinese Working Women's Network.

**How it developed a strategic approach to impact on these needs in the specific global or local context? What was the specific 'philanthropic added value'?**

Once the decision has been made to act transnationally, what are the next steps and how are strategic approaches developed? What makes philanthropic action different from governmental, NGO, or individual private action? To begin with, most foundations are in command of greater monetary and human resources than NGOs and have greater flexibility in allocating funds than governments do. Foundations tend to be viewed as "apolitical" or more neutral organizations, and can therefore engage local actors more easily; they can support the local capacity building, and provide a sustained, medium to long-term commitment. In addition, foundations can mobilize their existing networks around a specific problem, remain flexible in their grant-making to adapt it to changing needs, and most importantly, act as a catalyst and mobilize various stakeholders such as other funders, government agencies, and civil society organizations around a specific topic.

Rotary International's strategic approach, with its PolioPlus campaign, was in mobilizing its vast global membership of Rotarians for fundraising, education, advocacy, and program implementation purposes. Rotary's impressive fundraising campaign and ambitious goals raised the bar for other organizations working on Polio and also changed the goals of entities such as the World Health Organization. Rotary not only successfully created a critical mass of volunteers and funds for the eradication of Polio but because it had a clearly defined goal with measurable indicators of progress and consistent positive feedback for its members, Rotary was able to sustain the movement for over two decades.

The Gates Foundation also utilized its unique position to forge partnerships and advance research. In addition to monetary support, the Gates Foundation's philanthropic added value comes from its independence, flexibility, and ability to leverage their gifts to convene participants from academia, government, and the private sector to forge a collaborative solution. Because of its independence, the Gates Foundation was able to address the constraints of the various stakeholders such as profit motives, short term horizons, and legitimacy, and develop a strategic approach that incorporates proper incentives to engage and motivate each specific participant.

In addressing biodiversity, the MacArthur Foundation was strategic in its strategy by remaining flexible to local needs. It developed three guiding priorities that was focused, yet flexible and allowed its grantmaking strategy to change with the needs of the local population: (1) to diminish threats to biodiversity, such as establishing and strengthening protected areas; (2) the development and validation of new conservation tools and methodologies that will provide innovative solutions to persistent problems; (3) the strengthening of capacity among regional experts and practitioners in order to sustain conservation efforts over the long-term. MacArthur developed an integrated approach that supports activities across all three objectives. MacArthur also utilized its reputation and status to foster collaboration and alliance with NGOs, government agencies, and

communities. Local communities in other countries trusted MacArthur because it was viewed as an independent, apolitical organization that is not just advancing its own agenda, but committed to help build local sustainability over the long term.

Regarding issues of accountability and transparency in the public and private sectors, the case study by Oliviero and Simmons demonstrates three strategic philanthropic approaches: starting new civil society groups; building coalitions across groups; and coordinating a funder strategy.

Foundations can start new civil society groups as demonstrated by Ford, Rowntree, and the Nuffield Trusts in providing the initial seed money for Transparency International. These foundations recognized that corporate corruption has a direct link to their failures in other programmatic areas such as health and education. Therefore, these foundations saw the value of investing a few million dollars to increase the effectiveness of billions of dollars worth of programs and grants. Foundations can also promote corporate accountability by following the lead of consumers and supporting the actions of existing groups such as the children who sent styrofoam packages back to McDonald due to environmental problems and that led to Environmental Defense working with McDonald to redesign its packaging. Or, in the case of workers and human rights, foundations can give legitimacy, provide awareness, and spur momentum by aligning its grantmaking with the needs of frontline groups such as the Chinese Working Women's Network. To take it a step further, when supporting or starting new civil society groups are ineffective, foundations are independent enough to research and implement innovative strategies. This is demonstrated by MacArthur's market-creation initiative to shift global demand for wood products to sustainably harvested timber.

Another strategic approach is building coalitions across groups and philanthropy can be instrumental in this regard by virtue of their position and independence. It can serve as a catalyst and bring all types of groups together, not just government, the private sector, other funders, but also citizens who otherwise would not have voice in the globalization process. Foundations can use their wealth to truly bring different groups together and thus offer a meaningful dialogue. The Cairo Conference, for example, foundations convened United Nations officials on the one hand, and civil society groups on the other. They supported collaborations between civil society groups prior to the meeting ensuring that these organizations will be prepared to fully engage in all discussions. With the Global Reporting Initiative, philanthropy played a unique role in bridging the gap between CSOs and corporations. Because foundations were the mediators and the funders, corporations had confidence in the process and civil society groups were assured that corporations will not overshadow and impose their own agendas.

A final strategic approach outlined by Oliviero and Simmons for philanthropy to coordinating a funder strategy. Working with other funders creates a "safety in numbers" effect and allows foundations to have more of an impact. For example, the creation of the International Criminal Court would not be possible if not for the coordinated efforts of a number of foundations. The case of the Funders Network for Trade and Globalization and its participation in the World Social Forum offers further insights on how foundations can work with each other and with civil society groups to change the course of globalization. The Funder's Network focused on four main points: (1) raising awareness; (2) knowledge production and sharing; (3) broadening of the funders' political and social understanding and perspective of the global issues at stake and; (4) networking among funders, with networks of funders and between these and the GCS via such movements as the World Social Forum.

With the UN Foundation, it utilizes a mix of strategies to further its mission and programs: (1) encourage support for the UN and its causes through building new partnerships within the UN and among UN organizations and the private and civil society sectors; (2) raise new funds for UN programs; (3) promote the UN through advocacy and public education; and (4) acting on behalf of the UN in areas where it is unable to participate or ineffective.

In the cases of post conflict situations, the philanthropic added value of Mott and Soros was that they were able to make a long term, sustained commitment. The other difference between philanthropic assistance and assistance from other international organizations (EU, UN, NGOs) is that these organizations provide mainly humanitarian relief while philanthropy can offer to help rebuild systems, institutions, and other segments of society and can help set a course for a stable future, engaging local actors and stakeholders. For the King Baudouin Foundation, the philanthropic added value was in partnering with existing local organizations and establishing coordinating organizations within each country of the region.

In the case of WINGS, decisions, activities, and needs are heavily membership driven. Therefore, a key to strategic and effective membership input is clear and efficient channels of communication such as the Web, a major channel of communication for WINGS. For countries with less developed technology infrastructures, communication is provided through “exchanges” between well developed and less developed community foundations. WINGS-CF facilitates these changes by: providing small grants to facilitate face to face communication via peer learning; meetings between two community foundations at different stages of development; attending wider WINGS conferences. Finally, WINGS-CF’s added value is providing support, legitimacy, and inspiration for its members. The case study finds anecdotal evidence that global networks provides a sense of drive and inclusiveness for community foundations staff members, who often works alone and in little contact with others.

**Which strategies/programs/mechanisms proved most effective and why for operating as a ‘global actor.’ What were some of the weaknesses, and why?**

Perhaps the most effective strategy by foundations is to serve as a catalyst and build coalitions of various stakeholders. An effective strategy for Rotary International was to form partnerships with major health organizations, businesses, and governments. Rotary International formed partnerships with the World Health Organization, UNICEF, and the CDC. This was effective because Rotary was able to bring to the table its unique network of volunteers that provided the people power for fund raising, service delivery, and vaccine administration. Rotary also partnered with the UN Foundation to raise funds from the private sector. Rotary has demonstrated that a coalition of foundations and stakeholders can be effective in pressuring governments to fully commit to their donations. In addition, Rotary also committed funds to assist partner organizations, thereby furthering Rotary’s commitment to the campaign and building stronger alliances with its partners. Another effective strategy was in identifying and supporting core leaders in each local chapter to promote advocacy, awareness, and education. It also created the *Polio Eradication Champion Award* to promote awareness, recognize achievement, and encourage further action.

Rotary’s constantly reevaluated its campaign to change with the needs of local areas and also made sure that that polio does not drop off list of global issues. Rotary was able to sustain such a long campaign for over two decades because it maintained strong and continued leadership in this effort. Although Rotary’s officials are only

elected for one-year terms, the organization focused on education and awareness and therefore made sure that its leaders understood the enormous impact the campaign was having on Polio worldwide.

The strategies that proved most effective for the Gates Foundation also focused on forging alliances and funding new and experimental procedures and methods of delivery. By taking a leadership role, the Gates Foundation used its influence and clout to bridge the gaps between governments, the private sector, and civil society. It focused its efforts on raising awareness and education as well as research. The “risk capital” provided by Gates was key in motivating others to join the fight. That is perhaps one very effective strategy that is unique to foundations: being able to support risky projects with small chances of success.

In addition to research and advocacy, the Gates Foundation also focused on developing effective delivery systems for the vaccine. This is strategic in that simply finding a cure for malaria or AIDS is useless without an effective delivery and implantation system in place. Therefore, the Gates Foundation also focused its efforts on finding an equitable, efficient, and effective delivery system to bring the vaccine to areas where it is needed most.

For the MacArthur Foundation and issues of species diversity, an effective strategy meant choosing carefully, ecosystems that can potentially be saved and preserved. The foundation began by *prioritizing* and *focusing* on one clearly defined problem with measurable indicators of success and not try to tackle issues that were too broad. It selected a subset of environmental issues as a necessary first step. It was strategic in that it only choose issues with clearly defined and measurable outcomes. Next, MacArthur chose geographical areas that have existing recourses and capacity so that it didn't have to “start from scratch.” Its strategy also focused on short-term and longer needs. Important was a participatory approach and developing the capacity and expertise of locals to ensure the continuation of the foundation's work once it leaves the region.

The case study by Oliviero and Simmons suggests that in order for philanthropy to have an effective strategy, it must be flexible and adaptable. There is no “one size fits all” philanthropy and,

*“Systemic change is usually the result of pressure from a number of sources, both grassroots and international. Sometimes new organizations are needed; sometimes existing organizations can be strengthened. Sometimes collaboration across sectors offers advantages; sometimes one sector needs to stand apart and speak with a distinct voice.*

*The art of effective philanthropy is figuring out which approach is best suited to produce the best result in a particular situation. This requires experience, a willingness to listen, judgment and a clear philosophy. One-size-fits-all philanthropy will never work, and this is true globally as well as locally.”*

For the Funders Network on Trade and Globalization, the key was active involvement with the entire World Social Forum process, from planning to evaluation of attendees after the event. Having an individual, such as Mark Rand, as a member of planning committees for the WSF was also key in ensuring a “philanthropic voice.” Caruso also puts the role of foundations to fund civil society groups in a different perspective. Foundations can be thought of as “talent scouts” and, “Foundations' objective is to find the actors of social innovation and creativity wherever they may be and promote and sponsor their ideas.” The World Social Forum, he argues is just the place.

Caruso also points to some weaknesses in the working relationship between foundations and the World Social Forum. These include: common criticisms of foundations for their relationship with multinational corporations, investments and involvement with



global capital markets, and support of controversial issues that actors of the WSF may not agree with. Funders must also be careful not to impose too many restrictions on grantees and allow them to exercise ownership, control, and independence over projects. This is necessary in order for civil society organizations to not become too dependent on funders.

For the UN Foundation, it challenges conventional wisdom about the roles of foundations and foundation relationships with government agencies. Unlike traditional foundations, the UNF engages the UN directly. Initiatives such as the United Nations Fund for International Partnership (UNFIP), established in conjunction with the UNF as its counterpart in the UN, has been successful in coordinating the various UN agencies and also in bridging alliances, “between and among the UN system, civil and private sectors;” Programme Framework Groups (PFG) has the potential to bring a voice and expertise from people outside of the UN; UNF’s advocacy and policy education has also been successful in promoting the importance of the UN System and also in engaging the US to rejoin UN agencies, pay past dues, etc.

In working with post conflict situations, Mott and Soros both found that post-conflict challenges fall into three broad categories: managing relations with local partners, coordinating with other international organizations, and adapting the foundation itself. Both foundations found the following strategies most effective in dealing with each challenges:

- > Managing of relations with local partners: (1) Do not impose foundation expertise on local setting and allow for the cultivation of local vision; (2) funding should not be too project specific but also allow for general support to build capacity; (3) work in a team and don’t rely on one person, foster teamwork, but also do not overlook established partners; (4) “Training tools should be used as a strategic tools to achieve wider aims, rather than being an exercise in their own right;” (5) work with government officials as well as NGOs and become involved with the policy process.
- > Cooperation with other international organizations: make sure activities are coordinated to ensure that there is no duplication of efforts.
- > Adapting the organization to working in an international setting: (1) establish a regional presence and hire staff from local population that are qualified to do the work and carry out the mission of the foundation; (2) employ a broad regional approach to extend the foundation’s impact; (3) to overcome administrative barriers and restrictions from the foundation’s home country, it needs to be creative and flexible.

But perhaps the most effective and innovative strategy in post conflict situations is for foundations to introduce the very concept of philanthropy in an emerging society. This will inform their development and a strong tradition of philanthropy can be built from the bottom up.

The King Baudouin Foundation focused its activities on capacity building and developed a strategy based on tactics “from inside out.” That is, efforts were focused on such things as the consultative process instead of strategy development, allowing the stakeholders to take an active role and drive the agenda.

The strategies/programs/mechanisms that proved most effective for WINGS was an effective communication system via the web and face to face exchanges via conferences, meetings, internships between organizations, etc. Some challenges and weaknesses with the WINGS strategy and tensions in building a global network include:

- cost-efficiency and reach vs. accessibility, inclusiveness, and effectiveness with newer, smaller, poorer (and non-English speaking) organizations;
- language barriers: need to incorporate other languages and not promote just English;
- terminology and concepts: different meanings of certain key concepts in other cultures such as endowment, community foundation, etc;
- culture and tradition: overcoming the fact that some countries may not have a culture of giving;
- legal frameworks: some countries do not have a support legal framework for philanthropy;
- diversity vs. focus: although membership input is admirable and democratic, the network is challenged with the need to balance collective action and common decision making without seeming too Western centric.
- Respecting individual interests and at the same time promote collective action.
- protecting its own reputation and that of its members from the potential bad practice of others;
- Financial insecurity;
- Staying Global: the idea to move the secretariat around so that WINGS is not identified with any one country is a good idea, but the challenge of that it's expensive and does not foster organizational memory.

Some weaknesses or mistakes in the foundations approaches include: choosing wrong partners and not giving local officials more credit for determining their own destinies and vision.

**What are the implications of the case study in terms of best practices, and what are some of the wider lessons for policy and strategic philanthropy?**

For Rotary International, some of the best practices that can be gleaned are:

- Identifying and partnering with leading organizations that are also working on the same issue is key in developing a strategic approach and also to lend credibility and expertise to the campaign;
- Clearly defined goal, i.e. “the eradication of polio;”
- Having quantifiable, measurable indicators of progress and success are key in sustaining the effort.
- Rotary International was blessed with a large membership base and established communication channels to begin with. Rotary also has a long history and is an established organization, so it was well known around the world. However, it did have to prove that it was committed to this effort and therefore needed to accomplish initial goals before other organizations came aboard.
- “A sustained commitment can overcome a lack of short term-successes or measurable progress.”

For the Gates Foundation, perhaps the main “best practice” is that, with a foundation as large as the Gates Foundation, it can afford to take greater risks in experimental procedures and thus speed up the process of research. Similarly, for the MacArthur Foundation and environmental issues, foundations need to: prioritize and focus grantmaking activities and have the flexibility to address needs in different geographical contexts.

Oliviero and Simmons demonstrates that foundations can be flexible, take risks, be controversial, be consistent and have a sustained long term commitment, move quickly, and most importantly, foundations can afford to fail. Also important is for donors not to be controlling and restrictive and allow grantees to set the agenda. This stifles creativity and donors should only act as facilitators, they should not do the work themselves and success or failure should depend on the grantees. As demonstrated, the greatest successes are when the grantees themselves are responsible for it. Build capacity and teach their grantees to be leaders, don't simply persist simply because an idea is good or if the funders simply want it to work. If there is not effective leadership and commitment on the grantees side, then foundations should move on or re-strategize. Also an important point that Oliveiro and Simmons points out is the numerous "missed opportunities" by foundations. The lesson to be learned from that is that foundations should keep its eye wide open and not be afraid to take risks. Being opportunistic is a luxury that philanthropy can afford. Finally donors need to be clear about the degree and nature of their commitment. They should be careful not to allow grantees to be too dependent on them and also prepare an effective "exit strategy."

For the Funders Network for Trade and Globalization, lessons learned include:

- Become actively involved in the process from the beginning. Involvement can range from sending an observer to planning meetings to full participation as members of the planning committees.
- Share organizational knowledge and practices with grantees:

"Foundations have accumulated a wealth of experience and knowledge in organizational management. This knowledge should be shared with members of the WSF in order to help contribute to bridging gaps in the WSF's organizational knowledge," writes Caruso.

- Be flexible with grant guidelines and allow grantees to have ownership, experience, and control over projects.
- Utilize existing, personal foundation network to bring other organizations from under represented regions of the world into the social forum process:

"Foundations," according to Caruso, "can produce a number of both momentous and short term improvements in the organization of the events of the WSF. To do so, they should dig into their networks of grantees to facilitate involvement in the WSF process in order to increase inclusion and representation of all social movements and NGOs from all regions of the world. In particular, foundations should focus on involving organizations from Africa and Asia, because their participation in the WSF is lower both in absolute and in relative terms compared to organizations from other areas."

For the UN Foundation, the lessons learned are that foundations should challenge the traditional notion of "doing what governments shouldn't do" and not avoid working with governments and public agencies. Rather, foundations should discover techniques to engage governmental bodies in innovative ways. Foundations should find ways to reinvent foundation/government relationships at all levels. As has been demonstrated in case study after case study in this part, philanthropy should involve governments as well as other actors and the UN Foundation case study is an example of how a successful relationship may work. Also effective for the UNF was its subsidiary advocacy agency. Foundations

should consider setting up subsidiaries for advocacy and lobbying purposes, similar to 501c(4)s established by nonprofit organizations.

For conflict areas in other regions of the world, the keys that make philanthropic involvement successful are: sustained involvement; building cooperation among local actors; focus on building local capacity.

WINGS and WINGS-CF is unique in that it is an association of associations, but they have set the precedent, established the framework, but more importantly, experimented with and found solutions to specific challenges with these sort of network organizations. According to Leat, WINGS and WINGS-CS have *“utilized and built on the knowledge of their members, encouraging sharing and learning, via working groups. They have made effective use of electronic communication, at the same time recognizing that this needs to be supplemented by other methods of knowledge transfer and learning.”*

## Conclusion

The proceeding pages in Part II have demonstrated the richness of experience and knowledge in the case studies. They offer a useful and detailed repertoire from which others can learn. Yet, among the many lessons that were drawn from the cases examined, which ones stand out and appear as the most critical for the future role of global philanthropy? While others may well reach somewhat different conclusions, we suggest that five strategic elements are crucial for making transnational philanthropy work in an age of globalization:

1. Identify a need that for whatever reason is beyond the reach or interest of other actors, and where international foundation can provide or leverage resources commensurate with the problem at hand.
2. Identify an existing or potential community or coalition of individuals and organizations that can implement the program locally, and as part of a networked approach, transnationally.
3. Collect, analyze and share knowledge and information across different project sites, and serve as the intellectual center of the project and as the honest broker among different parties.
4. Set and insist on clear goals and benchmarks when necessary and easily agreed upon, but be willing to take risk in supporting medium to long-term efforts with great uncertainty.
5. Develop, discuss and agree-upon possible exist strategies early on, and have parties agree to a longer-term vision.

## INDEX

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### A

ABCD, *see* Asset-Based Community Development  
ABONG, *see* Brazilian Association of NGOs  
ABRINQ Foundation  
  Board for the Defense of Children's Rights, 11  
  as coordinating entity, 12  
  and *Editora Abril*, 12  
  ILO and, 13  
  Ministry of Education and Culture, 12  
  and Prefeito Criança, 12  
  in promoting children's rights, 114  
  in social marketing, 109  
  with UNICEF, 12, 109  
Abring Foundation for Children's Rights (FADC), 11–12  
Afghanistan, 135, 142  
Africa  
  Albertine Rift in, 147  
  malaria in, 143  
  villages, 144  
Aga Khan Foundation (AKF), 4, 6, 57  
AIDS, cure for, 218  
Albertine Rift, in Africa, 147–148  
All China Federation of Trade Unions (ACFTU), 126  
Alti Corporation, 201  
*Al wakf* system, 167  
American Express Company, 201  
Amnesty International, 131  
Amott, Natasha, 4, 6, 61, 107  
Anglo-Saxon model, 188

Annan, Kofi, 142, 167–168  
Anti-Bribery Convention, 124  
Armed conflicts, 183  
Asociación Pro Derechos Humanos, 132  
Asset-Based Community Development (ABCD), 19  
Association of Foundations (AF)  
  as first network of NGOs, 61–62  
  and Marissa Camacho-Reyes, 72–73, 76  
Australia, 3, 89, 112, 117, 209  
Ayala Foundation US, 64  
Ayala Group of Companies, 64

### B

Balkan Trust for Democracy, 191  
Bayanihan spirit, 61  
Bernard van Leer Foundation, 201  
Better World Campaign (BWC), 168, 173, 177  
Better World Fund (BWF), 168–169, 173  
Bill and Melinda Gates Foundation, 118–119, 139, 173–174  
  best practice of, 220  
  in developing a strategic approach, 215  
  in development of malaria and AIDS vaccines, 118–119, 139, 142–146  
  and forging alliances, 218  
  high-risk initiatives by, 143, 145–146  
  limiting spread of HIV/AIDS and malaria, 145  
  as a neutral organization, 144  
  operation and mission of, 213–214  
  supporting national-level health care initiatives, 148

- Biodiversity, 127, 170, 172  
 MacArthur Foundation and conservation, 146–148, 215–216
- Bio-fertilizers, 102, 104
- BIO Ventures, 144, 146
- Bonbright, David, 6, 57
- Bosnia  
 NGOs in, 188–189  
 war in, 184
- Boticario Foundation, 5, 111  
 and Avina Foundation, 17  
 Environmental Law Institute, 17  
 Fundação Boticário, 15  
 with IAF, 16, 17  
 and John D. and Catherine T. MacArthur Foundation, 17  
 Salto Morato Reserve, 15  
 of TBL, 15  
 and TNC, 15, 17
- Botswana, 145–146
- Brazil, 4–5, 7–20, 111–113, 129, 153, 157
- Brazilian Association of NGOs (ABONG), 9–10
- Brazilian philanthropy, 7–8, 11, 17, *see also* ABRINQ Foundation; Boticario Foundation; Institute for Development of Social Investment  
 corporate social responsibility gaining ground, 5, 9–11  
 and CSR, 9  
 emergence of civil society, 8–9  
 GNP of, 8–9  
 and World Development Report, 8
- Bribe Payer's Index, 123
- Buddha amulets, selling of, 98
- Buddhism, 93, 162
- Buddhist monk  
 donations to, 93  
 as local civil society organization, 102  
 role of, 102–103
- Bulgaria, 207
- Bureau of Internal Revenue, 62
- Business against Crime, 80
- Business and Arts South Africa, 80
- Business for Social Responsibility (ETHOS), 10
- C**
- Cairo, 128–129, 216
- CARE, 193
- Carpathian Foundation, 108–109, 113
- Catherine T. McArthur Foundation, grant-making program of, 119
- Catholic Church  
 appeal to parishioners, 61  
 promotion of social justice, 38
- Caucus of Development NGOs (CODE-NGO), 76–78, 112  
 and Peace and Equity Foundation, 71–74  
 and PEF's path to strategic philanthropy, 72–77  
 and work of PEF, 71–72
- CDC, 140, 148, 217
- CEATS, *see* Center for Studies of Third Sector
- CEMEFI, *see* Centro Mexicano Para La Filantropia -Mexican Center for Philanthropy
- Center for Studies of Third Sector (CEATS), 10
- Central and Eastern Europe (CEE), regional overview  
 for building of socialism, 22  
 in Czechia, 23–24  
 Czech Republic, 21, 23–24  
 FLO, 24, 25  
 pre-WWII traditions, 21–22  
 in Slovakia, 24, 25  
 and strategic action, 25
- Centre for civil society, 195
- Centro Mexicano Para La Filantropia – Mexican Center for Philanthropy (CEMEFI), 6, 39–40, 48–49
- CERES Principles, 130
- CGBD, *see* Consultative Group on Biodiversity
- Charities Aid Foundation, 201
- Charles Stewart Mott Foundation, 91, 119, 184–187, 189–195, 201, 214  
 economic slowdown and, 194  
 in funding of NGOs, 192  
 international commitment of, 186–187  
 multi-year involvement of, 189  
 as philanthropic actor, 185  
 projects supported by, 186  
 resources and staffing of, 192  
 in Southeast Europe programme, 191  
 working with teams, 190
- ChevronTexaco Corporation, 201
- Children and Youth Foundation of Philippines, 65
- Children's health

- programme, 175–176
- projects for, 169–172
- Children with Disabilities Program, 90
- Chinese Working Women's Network (CWWN), 125–126, 134, 215–216
- Church-led movement, 63
- Civil society, emergence of
  - Brazilian Association of NGOs (ABONG), 9–10
  - Catholic Church, 8
  - Civil Society Organization, 9
  - Group of Institutes, Foundations and Enterprises, 9–10
  - Instituto Brasileiro de Opiniao Publica, 8, 9
  - of social entrepreneurs, 9
- Civil society groups, 121–127
  - and alternative markets for certified products, 126–127
  - transparency and anti-corruption practices in government by, 123–124
  - workers' rights and corporate accountability by, 124–126
- Civil society-led foundations, 48, 108
- Civil Society Organizations (CSO), 8–9, 19, 45–48, 50, 52–53, 95, 122–123, 125, 128, 135, 160, 216
  - accountability and standard-setting by, 129–130
  - adapting programmatic focus and methodologies, 112–113
  - building of local resources and knowledge, 45–46
  - capacity building for social entrepreneurs, 46
  - capacity building for nonprofit sector, 42–43
  - conferences and plans in, 128–129
  - economic empowerment of disadvantaged groups, 42–43
  - supported by philanthropists, 121, 123
  - supporting strengthening of, 108–109
- Civil society sector
  - in emerging countries, 122
  - and sources of power, 134
- Clean Clothes Campaign, 125
- Clinton Administration, 170
- Coalition for ICC (CICC), 131–132
- Coalition of Environmentally Sustainable Economies (CERES), 130
- Coca-Cola Company, 174
- CODE-NGO, *see* Caucus of Development NGOs
- CODE-NGO and PEF
  - and assets of foundation, 74–78
  - counterpart funds from project stakeholders for, 75
  - in creating fund via capital market, 72–74
  - fund recovery by, 74–75
  - path to strategic philanthropy in, 72–77
  - role in making of Donors' Forum, 75
  - strategies by, 76–77
  - warranty facility by, 75–76
- Cold War, 133, 135, 183–184
- Community, *see also* Community foundations; Community self-help organizations
  - based partners, 64
  - giving, 94
  - organizations, 100–101, 104–105
  - savings groups, 100–101
- Community Association (CA), 75–76
- Community Based Organizations (CBO), 79–80
- Community foundations, 80, 94, 100, 103, 105, 200, 203–205, 208, 217
  - in areas around world, 201
  - financial independence of, 207
  - role in creating a movement in, 209
  - support by, 202
  - support of development in, 203–205
- Community Foundations of Canada (CFC), 19, 201
- Community Mortgage Program, 75
- Community Philanthropy Organizations (CPOs), 11, 17–18, 207
- Community self-help organizations
  - analysis of, 103–104
  - background in, 100–101
  - Klong Pia Savings Group in, 101–102
  - and practices and opportunities for replication, 104
  - as social innovation, 95
  - Trad Province Savings Groups in, 102–103
- Consuelo Foundation, 65
  - as civil society-led foundation, 108
  - in improving lives and living conditions of, 64
  - innovations and opportunities for replication, 69–71
  - investment by, 111
  - partners capacity by, building of, 66–67
  - priority programs for, 65
  - in raising awareness on child abuse, 114
  - in raising funds, 113



Consuelo Foundation (*Continued*)  
 social change on multiple levels and,  
 67–68  
 strategic efforts of, 70  
 strategic philanthropy in, 66, 68–69  
 strategies of, 110  
 support of training and skills  
 enhancement by, 109

Consuelo Zobel Alger Foundation, 65,  
 68–69

Consultative Group on Biodiversity  
 (CGBD), 132–133, 155

Corporate accountability, and global  
 standard-setting, 129–131

Corporate social investment, 81

Corporate social responsibility (CSR), 9–11,  
 124–125, 128  
 Abrinq Foundation, 11  
 Brazilian Association of NGOs  
 (ABONG), 10  
 CEATS, 10  
 CPOs, 11  
 ETHOS, 9–10  
 GIFE, 10  
 GNP, 9  
 IDIS, 9–11  
 IPEA, 9  
 Pastoral da Criança, 10  
 re-democratization of, 10  
 of social entrepreneurs, 10  
 volunteerism and, 9–10

Corporations, philanthropy in, 94

Corruption Perceptions Index, 123

Council on Foundations, 9, 53, 200–202

CPO, *see* Community Philanthropy  
 Organizations

Croats, 195

Cross-border giving, 199–200

CWWN, *see* Chinese Working Women's  
 Network

## D

Dayton Peace Accords, 195

DIFID, 191

Donor advised funds, 25, 117

Donor circles, 117

Donors  
 and benefits of globalization, 134  
 global campaign for, 131  
 and grantees, 128  
 grant-making strategy of, 129

investment of, 124  
 multiplier effect of, 132  
 orphan issues and, 135  
 participation in global coalition model,  
 130  
 in prevention of exploitation and  
 depletion of natural resources, 127  
 private, 136  
 self-selected group of, 133  
 in support of global projects, 121

## E

Early Childhood Care and Development  
 Program, 90

Ecosystem diversity, 147

*Editora Abril*, 12

Eighth National Economic and Social  
 Development Plan, 98

Electronic communication, role in global  
 acting of organizations, 204–206

Environmental Defense, 124–125, 216

Environmental degradation, 135, 139

Environmental Partnership Foundation  
 (EPF), 26–30  
 as civil society-led foundation, 108  
 in the Czech Republic, 112  
 financial strategies of, 29–30  
 and NGO, 27–29  
 in NGO sector's strengthening and  
 development, 109  
 operational strategies of, 27–29  
 organisation of, 26–27

Environment programme, 130

EPF, *see* Environmental Partnership  
 Foundation

e-Philanthropy, 117

Ethical Trade Initiative, 126

Ethnic violence, in Yugoslavia, 184–186

European Foundation Centre, 9, 201

European Law Students Association, 131

European Union, 183, 190, 204

Exit strategy, 135, 221

Expedia, 174

## F

Family planning  
 beneficiaries from, 96–97  
 community-based approach to, 97, 99  
 role of PDA in, 96, 99

FECHAC

- approach, early programmatic, 41
    - as corporate foundations, 108, 110
    - fund recovery by, 111
    - origin of, 40–41
    - as partner with other sectors, 114
    - strategic approaches, *see* FECHAC, strategic approaches
    - vision and mission of, 41–42
    - strategic approaches, 40
    - alliances with government agencies, donors and civil society, 44
    - civil society organizations, capacity of, 41–42, 44
    - policy and program delivery, leadership in, 43
  - Fédération Internationale des Ligues des Droits de l'Homme, 131
  - Filipino Rotary club, 140, 214
  - Filipinos, 61, 78, *see also* Philippines
  - Financial resources
    - lack of, 113
    - strategies influencing, 108–109
  - FLO, *see* Foundation-like organizations
  - Ford Foundation, 63, 76, 91, 123, 131, 162, 168, 172, 185, 201
  - Ford Motor Company, 130
  - Forest Stewardship Council (FSC), 127, 135
  - Foundation/grantee relationship, 171
  - Foundation-like organizations (FLO), 3–5, 24–26, 31, 34
    - and HCK, 31
    - and strategies, 4–5
  - Foundations, 167, 218, *see also* specific
    - Foundation
      - adapting to changing realities, 112–113
      - added value of, 151
      - in addressing globalization issues, 214
      - as a catalyst, 217
      - in creating strategic alliances, 108
      - in creating Transparency International, 118
      - enabling environments in, 113
      - experience and lessons from, 188
      - factors influencing pace of growth of, 112
      - financial strength of, 154
      - in increasing their strategic position, 165
      - lessons learned from work of, 114
      - mission and vision of, 152–153, 185–188, 213–215
      - monetary and human resources in, 215
      - orientation and activities of, 117
      - qualities of, 221
      - role in changing society, 156
      - role in starting civil society groups, 216, 218
      - role in weak or failed states, 119
      - role of actors in, 161–162
      - roles and functions in UNF, 174, 177
    - Fraser, Dugan, 6, 79
    - FUNDACION ROSTROS Y VOCES, 38, 45–48
      - approach, programmatic, *see* VAMOS, programatic approach
      - origins of, 45
      - vision and mission of, 45
    - Funders, 156, *see also* Funder strategy
      - and association with WSF, 159
      - community, 151, 154, 156–158, 160
      - in coordination with International Human Rights Funders Group, 157
      - global agenda of, 160
      - political and social understanding of, 158
      - in reducing political gap, 152
      - role of FNTG in, 152
      - seminars and workshops organized by, 160
    - Funders Network for Trade and Globalization (FNTG), 132–133, 152, 155–161, 164, 216, 221
      - conjunction between WSF and, 163
      - and cooperation with WSF, 158
      - in educational and program activities, 156
      - and involvement in the WSF process, 157
      - lessons from, 163
      - mission and vision of, 160
      - strategies of, 159
      - vision of, 156
      - weaknesses experimented by, 161–163
    - Funder strategy
      - making of International Treaty Law by, 131–132
      - role in global philanthropy, 132–133
    - Fund-raising methods
      - activities in, 98
      - international organizations in, 97
    - Funds, intermediation of, 174–175
- G**
- GAP, consumer boycott campaigns for, 125
  - Gates and George Soros' Open Society Institute, 168
  - Gates Foundation, *see* Bill and Melinda Gates Foundation

GCS, *see* Global Civil Society  
 Gender discrimination, 80  
 German Marshall Fund, 26, 185, 191, 201  
 GIFE, *see* Group of Institutes, Foundations and Enterprises  
 Give2Asia, in promoting philanthropy, 64  
 Giving, forms and institutions of, 94  
 Global actors, 118, 136, 206, 210  
   strategies and mechanisms as, 160–161  
 Global Alliance for Vaccines and Immunizations (GAVI), 145  
 Global Civil Society (GCS), 159–165  
   FNTG and, 155–157  
   lessons from, 151–152  
   philanthropic foundations role in, 151–153  
   WSF and, 153–155  
 Global Fund, 174  
 Global philanthropy, 215, 222  
   infrastructure of, 119  
   language difficulties in, 206  
   lessons from frontline of, 133–136  
 Global Reporting Initiative (GRI)  
   in developing measurements, 134  
   role in global standards for transparency, 129–130  
 Global warming, 165, 170  
 GNP, 8–9, 64, *see* Grupo Nacional Provincial  
 Goelama Program, 90  
 Government(s)  
   policy, 108–109  
   programmes, 79, 81  
   transparency and anti-corruption practices in, 123  
 Grantmaker associations, 200, 202  
 Grantmaking program(s), 39, 49–50, 61, 146, 169, 175  
 Grant programs, 49, 107  
 Grass-roots projects, 109  
 Grassroots savings groups, 100  
 Green Revolution, 162  
 GRI Sustainability Reporting Guidelines, 130  
 Gross National Product, 80  
 Group of Institutes, Foundations and Enterprises (GIFE), 9–10  
 Grupo Nacional Provincial (GNP), 8–9, 64

## H

HCK, *see* Healthy city karviná  
 HCK, operational strategies, 32–34

alliance for, 33  
 funder ownership, 34  
 as independent foundation, 32–33  
 problem-solving programme, 33  
 from stakeholder, 34  
 stakeholder ownership, 33  
 Healthy city karviná (HCK), 6, 30–35, 108, 113  
   in Czech Republic, 31  
   financial strategies of, 34  
   operational strategies of, *see* HCK, operational strategies  
   organisation of, 31–33  
 Hindu groups, 162  
 History of philanthropy, 134  
 HIV/AIDS  
   in Africa, 135  
   challenges of, 81–82  
   detection of, 99  
   epidemic, 80  
   grant for, 129  
   and health channel, 87  
   Nelson Mandela Children's Fund, 110  
   orphans and children affected by, 90  
   PDA in prevention of, 109  
   prevention of, 43, 96, 99, 110, 129, 135, 145  
   role of Gates Foundation in, 145–146  
   vaccine development of, 143–144, 146  
   virus, 118–119  
   WHO's role in, 140  
 Human Rights Watch, 131

## I

IBOPE, *see* Instituto Brasileiro de Opinião Pública  
*ICC Monitor*, 132  
 ICC Treaty, 132  
 ICPD, *see* International Conference on Population and Development  
 ICPD Programme of Action, 129  
 IDIS, *see* Institute for Development of Social Investment  
 IIE, 162  
 In-country capacities, 189  
 Independent Monitoring Project, 126  
 India, 141–143, 157, 162, 164  
 Indian Organising Committee (IOC), 161–162  
 Industry-sponsored alternatives, 135  
 Institute for Development of Social Investment (IDIS), 5, 9–11, 17–19

ABCD, by John McKnight, 19  
 CFC, 19  
 CPOs, 17  
 Local System on Social Investment (SILIS), 17  
 of São Paulo, 18  
 Institute for Economic Applied Research (IPEA), 9  
 Institutional capacity, 27–28, 71, 110, 134  
 Instituto Brasileiro de Opinião Pública (IBOPE), 9, 19  
 Interethnic dialogues, Mott Foundation's approaches to, 186  
 International Commission of Jurists, 131  
 International Committee of WSF, 157, 163  
 International Committee's Resources Commission, 163  
 International Conference on Population and Development (ICPD)  
   ability of philanthropy in, 134  
   achievement points offered by, 136  
   in Cairo, 129  
 International Criminal Court (ICC), 131–132, 134, 136, 216  
 International Development Resource Centre, 201  
 International Labor Organization (ILO), 13  
 International Labor Rights Fund and Global Exchange, 121  
 International law, 117, 132  
 International Meeting of Associations Serving Grantmakers (IMAG), 202  
 International Monetary Fund, 133  
 International philanthropy, 121  
 International Treaty Law, 131–132  
 International Youth Foundation, 48–49, 53, 65  
 IPEA, *see* Institute for Economic Applied Research  
 Iraq, 135

## J

Japan, 3, 117, 130

## K

Kabalaka Development Foundation, 62  
 Kenan Institute Asia, 94  
 Khan, Karim Aga, 57  
 King Baudouin Foundation (KBF)  
   capacity building activities of, 219

  in developments, 185  
   philanthropic added value for, 217  
   reinforcing the European dimension, 214  
   in South East Europe in, 187  
 Kisil, Marcos, 5, 7  
 Klong Pia Community, 102  
 Klong Pia Saving Group, 101–105  
 Knowledge management, 84, 91, 105  
 Kosovo, 135, 184  
 Kwa Zulu Natal, 89–90

## L

Language barriers  
   WINGS-CF for, 206  
   WINGS for, 220  
 Lawyers Committee for Human Rights, 131–132  
 Leadership, for policy and practice  
   improvement, 45–46  
   efforts, to influence policy, 46–47  
   North American Free Trade Agreement (NAFTA), 46  
   philanthropic resources, applications, 45–46  
   SEDESOL, 47  
 Leadership, for policy and program delivery  
   improvement, 43–44  
   AIDS prevention, 43  
   care of elderly, 43  
   rights, of indigenous peoples, 43  
 Leadership and Excellence Program, 90  
 League of Corporate Foundations (LCF), 62–63  
 Legal frameworks, 147, 200, 207, 210, 220  
 Letter of Cooperation with Government of Croatia, 190  
 Liberty Foundation  
   as case one, 85–88  
   as corporate foundation, 88, 108  
   education program by, 113  
   in healthcare, 82  
   mission and vision of, 86  
   origins of, 85–86  
   in state education sector, 114  
 Liberty Life, *see* Liberty Foundation  
 Limpopo Province, 89–90  
 Local-based foundations, 94  
 Local organizations  
   and challenges to philanthropic foundations, 191–193  
   management of relations with, 188–190

Local organizations (*Continued*)  
 organizational evolution and innovations,  
 193–194  
 pitfalls in, 194  
 and relations with governments, 190  
 value addition from philanthropic  
 foundations in, 194–195  
 Local System on Social Investment (SILIS),  
 17  
 Luzon, 62

## M

MacArthur Foundation  
 and biodiversity, 146–148  
 grantmaking activities of, 220  
 grantmaking program Conservation and  
 Sustainable Development by, 146  
 grant-making strategy of, 129  
 and issues of species diversity, 218  
 leadership in, 214  
 and local needs, 215–216  
 as private funder of human rights, 131  
 strategies for conservation and sustainable  
 use, 139, 147  
 sustainable-forest-management matrix  
 designed by, 127  
 in trans-national dialogue and  
 cooperation, 148  
 MAC Cosmetics, 174  
 Malaria  
 cure for, 218  
 patented antigens for, 144  
 role of Gates' Foundation in, 145–146  
 transmission of, 143  
 vaccines for, 139  
 Malaria Vaccine Initiative (MVI), 145  
 Mangrove forests, conservation and  
 protection of, 102  
 Matsushita/Panasonic, in Japan, 130  
 McDonalds, 216  
 styrofoam hamburger packages of,  
 124–125  
 Measles, 135, 169  
 Media, 13, 21, 31, 50, 58–59, 95, 153, 160,  
 168, 173, 187, 205  
 Mekong region, Lower, in Africa, 147  
 Member-driven governance, 210  
 Merck Company Foundation, 145  
 Mexico, 4, 6, 37–53, 111–113, 125, 156,  
 202–203  
 Mexico, major trends, 5, 37–39

CEMEFI, 6, 39–40  
 and NGO, 39  
 philanthropy in, 37–39  
 Mian, Haider Ghani, 6  
 Micro projects  
 grants to, 107  
 in their institutional development, 109  
 Millennium Declaration, 171, 175  
 Mindanao, 61–62, 64  
 Mindset initiative  
 high quality result of, 83  
 and use of technology, 84  
 Mindset Network, 87–88  
 Mine Ban Treaty, 121, 132  
 Miranda, Marcia, 73, 77  
 Mott Foundation, *see* Charles Stewart Mott  
 Foundation  
 Multinational corporations  
 global reach of, 134  
 and philanthropists, 124  
 practices of, 126  
 role of, 133  
 Muslims  
 in Bosnia, 195  
 in India, 161–162

## N

NAFTA, *see* North American Free Trade  
 Agreement  
 National Endowment for Democracy, 193  
 National Home Mortgage Finance  
 Corporation (NHMFC), 75  
 National Survey of Corporate Giving, 59  
 Nature Conservancy, 5, 15–17, 112  
 Nelson Mandela Children's Fund (NMCF),  
 6, 83, 110–112  
 case study of, 88–89  
 mission and vision of, 89  
 programmatic approach of, 89–91  
 strategic decisions for children's rights, 83  
 Network organizations, 61, 209, 222  
 NGO, *see* Non-governmental organizations  
 NHMFC, *see* National Home Mortgage  
 Finance Corporation  
 Nike, 97  
 consumer boycott campaigns for, 125  
 Nike Foundation, 174  
 NMCF, *see* Nelson Mandela Children's Fund  
 Non-governmental organizations (NGO),  
 65, 79, 81, 90, 95–96, 119, 147–148,  
 172, 178, 194, 199, 207

activists of, 163  
 and Anglo-Saxon' model, 188  
 in capital market, 73, 76–78  
 in China, 125  
 coalition, 131  
 contribution of, 63  
 in creating international constituency, 131  
 difference with philanthropic assistance, 217  
 donors' support of, 188  
 engagement, 126  
 and foundations, 62, 215  
 and grassroots organizations, 152–153  
 and interchange of energies and ideas, 162  
 as local partner for philanthropic  
   foundations, 190  
 and Mott Foundation, 192  
 networking in, 186  
 network of, 61–62  
 and POSCYD, 68  
 program development and service delivery  
   by, 70  
 programs, 63–64  
 in providing services to disadvantaged  
   communities, 112–113  
 role in public power, 128  
 social movements and, 152–153, 158–159,  
   162–164, 221  
 strengthening and development of, 109  
 taxes on income of, 63–64  
 Non-profit organizations, 7, 63, 81, 95  
 Non-profit sector, 77, 81, 193  
 No Peace Without Justice, 132  
 North American Free Trade Agreement  
   (NAFTA), 39, 46, 162  
 Nuffield Trust, 123, 216

## O

Oaxaca Community Foundation, 6, 38,  
   48–53, 109–111  
 Office of Community Based Family  
   Planning Services, 96  
 Official development assistance (ODA), 53,  
   63, 72, 76, 111  
 Open Society Fund Bosnia and  
   Herzegovina, 185–187, 190  
 Open Society Institute, 131  
 Open Society Institute-Croatia (OSI-C),  
   187, 190  
   general trends of programmes, 192  
   strategic orientation of, 187  
 Open Society Networks, 214

Operating philanthropy, 95  
 Organizational structure, 118, 123, 148,  
   151–152, 153, 156, 160  
 Organization for Economic Cooperation  
   and Development (OECD), 124  
 Organized philanthropy, *see* Philanthropy,  
   organized

## P

Pakistan, 4, 6, 57–60, 142, 162  
 Pakistan, philanthropy in, 57, 60  
   initiative on indigenous philanthropy,  
   6, 57–60  
 Pakistan Centre for Philanthropy, 59–60  
 Parliamentarians for Global Action, 132  
 Partnerships, of UNF, 173–174  
 PATH, *see* Program for Appropriate  
   Technology in Health  
 PBSP, 61, 63  
 PDA, *see* Population and Community  
   Development Association  
 Peace, Security & Human Rights program,  
   170–171  
 Peace and Equity Foundation (PEF), 6, 64,  
   71–72, 74, 110–111, 113  
   in bridging traditional philanthropic  
   practices, 64  
   and CODE-NGO, 71  
   and NGO network organization, 113  
   and path to strategic philanthropy with  
   CODE-NGO, 72–77  
   in production of poverty map, 110–111  
   work of, 71  
 PFG, *see* Programme Framework Groups  
 Philanthropic actors, 185, 209  
 Philanthropic added value, 118, 153, 158,  
   194–195, 213, 215, 217  
 Philanthropic assistance, 183–184, 190, 217  
 Philanthropic foundations, 3, 151–152, 155,  
   158–161, 164–165, 183  
   case study on role of, in GCS, 152–153  
   contributions of, 159  
   and involvement in WSF process, 151  
   missions and goals, 155  
   role in WSF, 165  
   strategies and mechanisms of, 161  
 Philanthropic institutions  
   and growth of cross-border giving,  
   199–200  
   key issues in, 206  
   and WINGS-CF, 203

- Philanthropic organizations, 62, 83, 100, 105, 122, 145, 157, 183, 207
  - community self-help organizations as, 100–101
  - creativity and innovations of, 95–96
  - emphasis to self-reliance by, 95
  - in Thailand, 105
- Philanthropists
  - and corporate philanthropy, 80
  - at getting balance, 82
  - grant-making capacity of, 124
  - role in civil society organizations, 121
  - tax relief for, 84
  - and use of funds, 136
- Philanthropy, 148
  - in addressing private and public sector deficiencies, 118
  - corporations in, 94
  - future aspects of, 64–65
  - as global player, 117, 213
  - innovative, in Philippines, 61
  - new forms of, 117
  - in Pakistan, 6, 57–60
  - past and present of, 61–62
  - and PDA, 99
  - role in national or social development, 95
  - strategic, 101, 103
  - as a system of giving, 93
  - in Thailand, *see* Philanthropy in Thailand
- Philanthropy, in Thailand, 105
  - case study, 95
  - culture of giving, 93–94
  - legal and other environments, 94–95
  - major forms and institutions of giving, 94
  - resource mobilisation, 95
- Philanthropy, organized
  - funding sources in, 63
  - past and present of, 61–63
  - practices and options for future of, 64–65
  - taxation and giving in, 63–64
- Philanthropy, strategic
  - adoption of, 112
  - best practices in, 113
  - developing practices in, 110
  - examples of, 107
  - pro-poor approach of, 82
  - in South Africa, 79–80
  - in support of social development, 80–82
- Philanthropy, strategic, innovations in, 107
  - and program strategy, 108–111
  - resource mobilization in, 111–112
- Philippine Bureau of Treasury, 73
- Philippine Council for NGO Certification (PCNC), 62–64
- Philippine Department of Finance, 62
- The Philippine Inquirer, 78
- Philippine Philanthropy Steering Committee, 62
- Philippines, 4, 6, 112, 140
  - CODE-NGO in, 112
  - Consuelo Foundation in, 111
  - foundations in, 62
  - funding sources in, 63
  - growing number of foundations, 112
  - in innovative philanthropy, 61
  - membership associations in, 113
  - organized philanthropy in, 61–63
  - philanthropy in, 62
  - poverty alleviation in, 113
  - practices and options for future of philanthropy in, 64–65
  - struggle to raise funds in, 63
  - taxation and giving in, 63–64
- Policy and program delivery, leadership in
  - convening sectors to improve, 43
  - AIDS prevention, 44
  - care of the elderly, 43
  - rights, of indigenous peoples, 43
- Polio
  - eradication campaign, 141, 148
  - Rotary International's campaign for, 214–215, 217
  - vaccination programs, 140, 214
- Polio Eradication Champion award, 142, 217
- Polio-free countries, 142
- PolioPlus campaign, 140, 214–215
- Pondong Batangan, 63
- Population and community development, strategies in
  - fundraising methods in, 97
  - marketing and management practices involved in, 99
  - and practices and opportunities for replication, 99–100
  - programming for critical societal issues as, 97
- Population and Community Development Association (PDA)
  - background of, 96
  - best practices and opportunities for replication, 99–100
  - as civil society-led foundation, 108
  - dynamic and inventive marketing and management practices, 99



fund-raising methods of, 97–99  
 investment by, 110  
 outcomes and beneficiaries of, 97  
 programming for critical societal issues,  
   99  
 progress of, 105  
 as strategic philanthropic/civil society  
   organization, 99–100  
 in “Thai Business for Rural  
   Development” program, 111  
 in Thailand, 109, 112  
 Pospisil, Miroslav, 6, 21  
 Postcommunist South-East Europe, case  
   study of, 183  
 Post-conflict situations  
   case study of, 184–185  
   and conflict resolution, 192  
   history of, 185  
   international donors in, 191  
   involvement of philanthropic foundations  
     in, 183  
   Mott Foundation’s approaches to, 186  
   role of added value philanthropic  
     foundations in, 188  
   role of material resources in, 195  
   South-East Europe in, 187, 193  
 Post-conflict societies, 119, 184, 189, 195  
 Poverty Eradication and Alleviation  
   Certificates (PEACe) bonds  
   and funds for projects, 76  
   and goal to raise funds, 72–73  
   selling of, 74  
 Private and public sector deficiencies, 118  
 Private foundations, 5, 140, 144, 146, 153  
 Program for Appropriate Technology in  
   Health (PATH), 145  
 Program frameworks, 171–172  
 Programme Framework Groups (PFG), 172,  
   176, 219  
 Program strategy, innovations in  
   civil society organizations, supporting the  
     strengthening of, 109  
   foundations in consort with other sectors  
     in, 108  
   HIV/AIDS prevention program as, 110  
   planning to inform practice, 110–111  
   small grants programs in, 108–110  
   social marketing in, 109–110  
 Project-specific funding, 135  
 Public-benefit organizations, 94  
 Public disasters, donations for, 94  
 Public funds, in South Africa, 79

Public-private partnerships, 168, 174, 176  
 Public-sector organizations, 94  
 Public welfare, law on provision of, 94

## R

Ramon Magsaisai Awardee, 96  
 RCBC Capital’s board, 73  
 Red Cross, 95, 170  
 Reebok, 126  
 Religion-based activities, spending on, 94  
 Religious institutions, 113  
 Resource mobilization, leveraging assets  
   successfully in, 111–112  
 Results-based outcomes, 134  
 Rights and Democracy, 132  
 Risk capital, 145, 174, 218  
 Rizal Commercial Banking Corporation  
   (RCBC), 73–74, 76–77  
 Rockefeller Foundation, 144, 161, 172  
 Rotary International, 170, 174  
   best practices of, 220  
   in eradication of polio, 118, 139  
   and fight to eradicate polio, 139–142  
   membership base of, 214  
   and partnerships with health  
     organizations, 217  
   PolioPlus campaign of, 215  
   spending in Philippines by, 140  
 Rowntree Foundation, 215–216  
 Rowntree Trust, 123  
 Royally-sponsored projects, 94  
 Rugmark label, 125  
 Rural Industry Promotion Project, 98  
 Russia, 135, 143, 185–186  
 Rwanda, 135, 146

## S

Sao Paulo, 12, 14, 18  
   Abrinq Foundation in, 11  
 Scholarship program for black children, 113  
 Seattle, 133, 155, 215  
 Secretariat of Social Development  
   (SEDESOL), 47  
 SEDESOL, *see* Secretariat of Social  
   Development  
 SFN, *see* Soros Foundations Network  
 SIDA, 191  
 Sister Whisper, 125–126  
 Smallpox, eradication of, 214  
 Social entrepreneurs, 7, 9–10, 46

- Social Fora, 161
- Social improvement projects, 96–97
- Social marketing, 70, 103, 108–110
- Soros Foundations Network (SFN), 119, 184–187, 190–194, 196, 213–214
- in association with European Agency for Reconstruction, 191
  - in developments, 185
  - and Mott Foundation, 186–187, 192
  - in policy process, 190
  - strategic flexibility and emphasis by, 193
- South Africa, 79, 111–113
- health channel, 87
  - impact measurement and best practice promotion by philanthropic entities, 82
  - integrated, holistic delivery of funds in, 83
  - Liberty Foundation role in, 88
  - niche for philanthropic organizations in, 83–84
  - official languages of, 79
  - philanthropic organizations in, 83–84
  - philanthropists in, 80
  - philanthropy in securing an independent financial base in, 83
  - poor children in, 92
  - poverty in, efforts to roll back, 83
  - pro-poor approach in, 82
  - receiving of funds, 81
  - regional overview of, 79–84
  - responses to needs by Liberty Foundation, 82
  - role of technology in strategic philanthropy in, 84
  - society in, 84
  - strategic philanthropy in, 79–82, 84
  - strategic philanthropy in support of social development, 80–81
  - and work of Nelson Mandela in, 89–90
- South African Grantmakers' Association (SAGA), 81
- Southeastern Europe, post-conflict situations in, 214
- South-East Europe
- challenges faced by philanthropic foundations in, 188
  - and Cold War, 184
  - ethnic conflicts in, 184
  - foreign actors assisting in, 184, 190
  - Mott Foundation and SNF's strategies in, 193
  - peaceful relations among peoples of, 185
  - philanthropic assistance to, 183
- Species diversity, 146–147, 218
- Stakeholders, 10, 15, 26–35, 57, 67–68, 70, 75, 85, 88, 108, 110, 118, 133, 136, 162, 175, 177, 187, 215, 217, 219
- State for Global Affairs, 170
- State of Filipino Children 2002, 65
- Steering Committee for Initiative On Indigenous Philanthropy, 59
- objectives of, 57–58
- Strategic philanthropic institution, 118
- Synergos Institute, 4, 48, 53, 62, 94
- ## T
- Talent scouts, 161, 218
- TBL, *see* Triple bottom line
- Thai Business for Rural Development program, 111
- Thai Business Initiative in Rural Development (TBIRD), 96–99
- Thai Health Promotion Foundation, 94
- Thailand, philanthropy in
- and case study of philanthropic organizations in, 96
  - and culture of giving, 93–94
  - and forms and institutions of giving, 94–95
  - observations and recommendations from, 104–105
- Thai society, 93
- and decentralization, 105
- The Nature Conservancy (TNC), 15–17
- TNC, *see* The Nature Conservancy
- Tool kits, 132
- Trad Province Saving Group, 110
- Transatlantic and North–South activities, 117
- Transnational corporations, 118
- Transparency International (TI), 118, 123–124, 134, 216
- Treasury Notes, 73
- Triple bottom line (TBL), 11, 15, 130
- Tropical ecosystems, 146–147
- Tsunami, 174
- Turner, Ted
- financial pledge of, 168, 173
  - preface by, 169
  - and UNF, 169
- ## U
- UN Charter, 125, 169
- UN Conference on Human Rights, 125
- UN Convention Against Corruption, 124

UN-corporate interactions, 177  
 UNDP, *see* United Nations Development Programme  
 UN Environment Programme, 130  
 UNESCO, 16, 173  
 UNF, *see* United Nations Foundation  
 UNF grants, 170  
 UNFIP, *see* United Nations Fund for International Partnerships  
 UNFIP Advisory Board, 172  
 UNFIP Advisory Council, 172  
 UNFPA, *see* UN Fund for Population  
 UN Fund for Population (UNFPA), 128–129  
 UNICEF, 12, 109, 140, 148, 190, 217  
 United Nations, 119, 129, 131, 142, 168–169, 172–173, 175, 183, 214, 216  
 United Nations Development Programme (UNDP), 190  
 United Nations Foundation (UNF), 119, 141, 167–168  
   in challenging conventional wisdom, 219  
   Five-Year Report of, 169  
   foundation roles and, 174–178  
   and gift from Ted Turner, 214  
   lessons learned from, 221  
   mission and programs of, 217  
   partnerships of, 173–174  
   and and UN Promotion, 172–173  
 United Nations Fund for International Partnerships (UNFIP), 168, 176–177, 219  
   grantmaking process and interaction with, 171–172  
 United Nations System, 119, 167  
   role of philanthropy within, 167  
 United States, role in transnational philanthropy, 117  
 UN Promotion, advocacy and, 172–173  
 USAID, 76, 111, 191  
 US Internal Revenue Code, 168

## V

VAMOS, 108, 110–111  
   FUNDACION, *see* FUNDACION ROSTROS Y VOCES  
 VAMOS, programmatic approach, 45–48  
   Civil Society Organizations, capacity of, 46–47  
   human and financial resources, information and contacts to serve both communities and donors, 47

  leadership in improving policy and practice, 46–47  
 Vancouver Foundation, 201  
 Venture capitalism, principles of, 174  
 Vienna, 125  
 Vietnam, 147  
 Vodafone's commitment, 174

## W

Wattanasiritham, Paiboon, 6, 93  
 Welfare funds, 101–103  
 Well Being of Children Program, 90  
 WHO, 176  
   containment strategies of, 140  
   and coordination with GAVI, 145  
   eradication of smallpox by, 214  
   and immunization efforts, 148  
   Rotary International's partnership with, 217  
   Rotary's fundraising campaign and, 215  
 Winder, David, 6, 37  
 WINGS-CF, *see* Worldwide Initiatives for Grantmaker Support for Community Foundations  
 WINGS-CF Advisory Committee, 201, 203  
 WINGS-CF Peer Meeting, 204  
 WINGS-CF Secretariat, 201  
 WINGS Coordinating Committee, 201  
 WINGS Secretariat, 201  
 Women  
   and environment, 170–171  
   PFG, 172  
   and population, 170  
   and Population Program, 176  
   rights, 170  
 Women's Caucus for Gender Justice, 132  
 Women's Health Express, 125–126  
 World Bank, 172, 191, 204, 209  
   grants by, 122  
   and MacArthur Foundation, 127  
   and other development banks, 123  
   purview of, 124  
 World Declaration and Plan of Action, 175  
 World Economic Forum, 119, 144  
 World Federalist Movement, 132  
 World Health Assembly, 140  
 World Health Organization, *see* WHO  
 World Heritage sites, 170, 174  
 World Social Forum (WSF), 119  
   actors of the, 218–219  
   bridging gaps in, 221

- World Social Forum (WSF) (*Continued*)  
 Charter of Principles approved by, 154, 162  
 evaluation of attendees of, 218  
 as inspiring network of GCS, 164  
 participation of Funder's Network for Trade and Globalization in, 214–216  
 role in global democratic participation, 151  
 support by American and European foundations, 153
- World Summit for Children, 175
- World Trade Organization (WTO), 133, 155–156, 214–215
- World War II, 184
- Worldwide Initiative for Grantmakers Support (WINGS), 113, 119, 199  
 as association of associations, 200–201  
 case study of, 199  
 as global actor, 202–203  
 history of, 202–203  
 membership associations of, 201  
 program components of, 202  
 role in global philanthropy, 200  
 and support of foundations for, 199–200
- Worldwide Initiatives for Grantmaker Support for Community Foundations (WINGS-CF), 119  
 challenges in global acting of, 206–209  
 channels of communication of, 204–205  
 effectiveness of, 205–206  
 in globalisation of philanthropy, 199  
 in maintaining a position of neutrality, 208  
 meetings of, 202–204
- WTO, *see* World Trade Organization
- WTO conferences, 214–215
- Wycliff Bible translators, 161

## Y

Yugoslav Socialist Federalist Republic, 184

## Z

Zero-coupon bonds, 73, 77–78