

---

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.