



FEATURE

PEACE, SOCIAL JUSTICE AND FOUNDATIONS

- Avila Kilmurray of the **Community Foundation for Northern Ireland** on philanthropy and the city of Belfast
- The **Oak Foundation's** Medina Haeri Lanz talks gender and peace issues
- Philanthropy leaders in the **Arab region** on philanthropy's role there

Plus... Special focus on the financial crisis

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A close-up of one of the Belfast "peace walls" which divide Protestant and Catholic communities in the city.

© Shaun Dunphy

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About the EFC

The European Foundation Centre is an international association of foundations and corporate funders dedicated to creating an enabling legal and fiscal environment for foundations, documenting the foundation landscape, strengthening the infrastructure of the sector, and promoting collaboration, both among foundations and between foundations and other actors, to advance the public good in Europe and beyond.

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About *Effect*

Effect magazine provides up-to-date coverage and analysis of the role and impact of foundations in Europe and around the world. It features trends in the sector; looks at the political, legal and fiscal environments in which foundations work; and offers examples of how foundations carry out their work, individually and collaboratively. The EFC publishes *Effect* two times per year, in the spring and autumn. If you're interested in writing an article for *Effect*, or would like to subscribe, email: effect@efc.be. For more information on the magazine and to download past issues, visit: www.efc.be/effect

PEACE AND SOCIAL JUSTICE, FIRSTHAND



An event “not to be missed”, a conference “like no other”, a “one-of-a-kind opportunity!” – If you are anything like me, you receive multiple invitations to conferences and events, the pitches for which regularly begin with over-the-top platitudes that more often than not fail in their efforts to generate excitement. So I’m somewhat stuck in selecting the right words to describe the EFC’s upcoming AGA and Conference in Belfast which, at the risk of falling into this cliché-lined platitude trap, will truly be unlike its predecessors.

I don’t know how aware you are of the central role that foundations have played in Northern Ireland, but this year’s conference Programme and Host Committees have been hard at work for the better part of two years to ensure that the programme makes this context come to life. This edition of *Effect* is intended to whet your appetite and to familiarise you with our setting in the run-up to the conference – Avila Kilmurray’s thoughtful piece on page 12 on the “courageous coterie” of foundations that have made a difference in Belfast is, in my opinion, essential reading for any conference delegate.

Please indulge me briefly and allow me to highlight two elements of the Belfast programme which have me truly excited. The conversation on the global financial crisis between Piero Gastaldo, Secretary General of Compagnia di San Paolo, and Jeff Raikes, Chief Executive Officer of the Bill and Melinda Gates Foundation, to take place during a special plenary is, I suspect, an event relevant to all those who are juggling shrinking budgets with increased demands for support (does that exclude anyone?). The following day, Justice Albie Sachs of the Constitutional Court of South Africa will be addressing the closing plenary. It was during my previous job at The Ford Foundation’s office in Johannesburg that I developed a very deep admiration for Justice Sachs’ work, and I’m now waiting with great anticipation to hear how he translates his experiences from South Africa to the Northern Ireland context.

With the global financial crisis and events such as the Arab Spring (other subjects touched upon in this edition of *Effect*) still unfolding around us, I hope that Justice Sachs’ intervention will remind us that the issues we address are universal and interconnected. And what better way to highlight this interconnectedness than through the final efforts to see the adoption of the European Foundation Statute? I see this year, 2012, as being the year for focusing our efforts on the Statute, and if you have somehow avoided the topic up to this point, I implore you to read the contribution from Rosa Gallego and me on page 24.

Enjoy your reading,

Gerry Salole, EFC Chief Executive



Diversity is in the King Baudouin Foundation's DNA

Diversity is integral to everything the King Baudouin Foundation (KBF) does. For us, it is a multi-layered concept - from our Board of Governors to staff recruitment policy to volunteer networks to activity domains. We realise that it is not enough for those at the top of the organisation to be firmly convinced of our policy on diversity. Diversity must be part of the culture throughout the organisation and this demands a constant effort.

The Board of Governors of our foundation must be a reflection of society itself. When deciding on its composition, a difficult balancing act must be performed to ensure that as many diverse groups in society as possible are represented. This is important as part of our effort to promote diversity, but also because it cements our identity as a pluralistic institution. Thanks to the foundation's pluralistic image, it is often the chosen partner for other organisations and various public bodies in Belgium.

We also strive to achieve diversity in our own personnel policy. Once again this is a very difficult exercise, because as an employer we are dependent on what is available in the labour market. The Belgian labour market is diverse, but it does not always accurately reflect the existing demographics. What is more, the high standard of quality required by KBF's recruitment policy can also present an obstacle to a recruitment policy based on diversity. A number of different criteria are taken into account when recruiting and selecting our staff.

In this situation diversity has to be interpreted in the broadest possible terms. The important factors include not only origins and culture, but also gender and people with physical disabilities. It is far from easy to ensure that these groups are represented in the right proportions in all structures within the organisation.

Another less obvious form of diversity is the different ways of thinking among our staff. Thanks to these, social problems are viewed from many different perspectives.

This approach also applies to the numerous juries, governance committees and expert groups that KBF calls upon. We typically work with independent juries, a fact which sets KBF apart from many of our colleagues. Each year we call upon more than 1,700 individuals who give their time completely voluntarily to support one of the foundation's activities in one way or another. In this way KBF has developed an effective network which is constantly being extended and in which diversity is an important goal. A large number of people from very diverse backgrounds cross our threshold every year and offer their input into the foundation's activities.

Diversity is also an integral part of our programmatic work. The foundation was established in 1976 with the aim of helping improve the living conditions of the Belgian population. This objective has not changed for 35 years, although during that time the foundation has adapted the way it works in accordance with changes in society. Its mission has since been reformulated to "working together for a better society" and KBF has assumed a significant European dimension.

One of the activity domains in which we work is migration and integration. We see migration as a permanent reality, an irreversible development which is significantly influencing society. Our aim is to help eliminate the negative effects, for immigrants as well as for the native population. We do this by helping newcomers settle and by stimulating reflection within society on its policies on integration. Migration is also relevant to diversity, when we consider

the mosaic of different cultures that are finding their way into Belgium.

Diversity is also part of our approach to the other themes on which the foundation focuses its activities. Poverty, for example, is an activity domain that is "diverse" by its very nature. Poverty takes many forms and affects different groups in society. Anyone seeking to address this issue must therefore adopt a "diverse" approach and take different cultures into account. For several years now KBF has been working on a health programme that addresses many different aspects of the issue ranging from strengthening patient organisations to reducing health inequalities and changing perceptions of people with dementia. Diversity cannot be ignored here either.

A public welfare foundation has a duty to keep its finger on the public pulse. KBF has always played a pioneering

role in the areas in which it works, while also keeping a close eye on its reputation. A good reputation opens many doors and is important when it comes to getting one's message across. Maintaining it allows us to speak out more powerfully for underprivileged people and others who are unable to speak for themselves. It also means that we as a foundation have to play an exemplary role and this must remain visible in our policy on diversity. KBF aims to achieve diversity at every level and in all of its structures.

www.kbs-frb.be



grantcraft

GrantCraft launches new guides

The EFC and the Foundation Center are launching the first two new GrantCraft guides since the Ford Foundation handed over the publication series to them:

- In April the Foundation Center released an updated version of "Scanning the Landscape - Finding Out What's Going On In Your Field", which highlights new developments and includes experiences of some European foundations.
- In May the EFC will launch "Foundations in Europe Working Together", which looks at foundations' collaboration practices in Europe and draws on experiences of foundation practitioners in 12 different European countries.

A third guide, to be launched at the EFC annual conference in June, will look at programmes and practices of foundations that aim to be inclusive and that have successfully included a gender dimension in their work, bringing women and girls into the equation.

Besides these new guides, new translations in Portuguese and Chinese are expected to be published this year. Drawing on the translations in Arabic completed last year, GrantCraft will work in 2012 with the Arab Foundations Forum and the Gerhart Center to research practices of foundations based in the Middle East.

GrantCraft is always on the lookout for practitioners who are open to sharing what they've learned, including what they've learned the hard way. Our pipeline of possible future topics evolves but currently includes using research, evaluation practices, advocacy, exits and the practices of intermediaries. Get in touch and share your story: rherweijer@efc.be

www.grantcraft.org

COUNTRY PORTRAITS

A snapshot of the
philanthropy landscape
across Europe



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www.efc.be/FoundationsinEurope

A joint initiative of:

dafne Donors and Foundations
Networks in Europe





By Thomas Bastianel, Strategic Planning Officer,
Fondazione Cassa di Risparmio di Padova e Rovigo

Unleashing the use of small grants as a commitment tool

What Italian foundations of banking origin can learn from the experience of community foundations

Italian foundations of banking origin and community foundations have essentially the same mission - to improve the quality of life of their citizens, to support socio-economic development at local level and to act as agents of social innovation, addressing emerging community issues and needs. However, community foundations seem to be more effective at fulfilling these goals and more engaged with their own communities. Trying to look beyond the difference in their origin (public banks and private donors), let's look at what bank foundations can learn from community foundations to enhance their social action.

First, it is essential for a community-based foundation to establish a good relationship with the community it serves. The more people know about the foundation, the more they can interact with it, which helps the foundation stay aware of emerging needs and allows citizens to see the institution as a stakeholder which can potentially support their cause. Moreover, if citizens identify with the foundation they would be more likely to defend it against potential detractors – such as political parties, business lobbies or local government – and mobilise public opinion in its favour. This is tremendously important in the case of Italian foundations of banking origin whose work has been attacked more than once in recent years by the national press. In 2007 during the annual national conference of Italian foundations of banking origin, ACRI President Giuseppe Guzzetti said that he would like to see, one day, common people struggling to support the independence of their local foundation, even when these institutions come under public attack. Since then, much has been done to get savings bank foundations closer to the citizens they serve, but there is still more work to be done.

Looking at the community foundation experience across the world, it is easy to find several avenues which bank foundations could use to increase their support from their local communities. The most important one seems to be the use of strategic grantmaking, but not as the foundations of banking origin tend to see it.

In the last five years Italian savings bank foundations have developed a more strategic approach to their grantmaking. They have tried to narrow their focus on specific social problems by choosing those in which they can make a difference; to stimulate partnerships among non-profits and between third sector and government officials; and to develop assessment tools to better evaluate their grantmaking outcomes. In pursuing these goals, bank foundations have slowly but progressively decreased the

percentage of small grants and focused their grantmaking instead on larger grants in the belief that foundations can be more effective in addressing a social need by pooling resources for a single project rather than splitting them into hundreds of small grants. This has led Italian savings bank foundations to think that to be effective they have to be “big”, thinking of small grants as “charity” and large amounts as “strategic philanthropy”.

Examples in the US, Canada and elsewhere in Europe suggest, however, that by focusing on large amounts Italian bank foundations may have overlooked the benefits of small grants, especially those related to building community commitment to the foundation's work. It has been shown in the US and Canadian community foundation experience that small grants can help new and small non-profit organisations grow, and that they can provide leverage for receipt of additional grants from other sources. Also, these kinds of organisations often operate with limited staff and budgets, making small first grants particularly important as absorbing larger amounts could prove problematic. Giving small groups the opportunity to apply for and receive grants makes the foundation more accessible and closer to the citizens it serves.

OPPORTUNITIES AND RISKS

Almost all small and medium-sized bank foundations launch a yearly general call for proposals for projects across a range of areas, including arts and culture, education, healthcare and social services. Grants are usually larger than what are found in community foundations' small grants programmes, varying between \$5,000 and \$30,000. However they can be a good starting point for developing a more strategic and community-oriented call for proposals. Regarding larger bank foundations, even if they don't have small grants programmes like those described above, they are still accepting unsolicited proposals from hundreds of small non-profits. Designing a small grants programme could be

"LOOKING AT THE COMMUNITY FOUNDATION EXPERIENCE ACROSS THE WORLD, IT IS EASY TO FIND SEVERAL AVENUES WHICH BANK FOUNDATIONS COULD USE TO INCREASE THEIR SUPPORT FROM THEIR LOCAL COMMUNITIES."

a means to make this activity more transparent and effective, while widening the foundations' traditional grantee base. This may facilitate the efforts of Italian savings bank foundations to move from a banker approach, which entails supporting proven organisations and activities with little risk and high probability for success, to a venture capitalist model, which entails supporting new and unproven efforts and accepting the possibility of failure (Mariam C. Noland, 1989).

On the risk side, managing a large number of small grants can be a time-consuming activity and some banking foundations might lack the staff to support this effort. Furthermore, Italian bank foundations usually don't support individuals or informal groups – due to restrictions in their bylaws – and most haven't yet developed procedures allowing them to do so. In this case, developing an Italian model for fiscal sponsorship could be a sound solution. Fiscal sponsorship refers to the practice of a legally recognised public charity (such as a foundation) offering their legal and tax-exempt status to groups engaged in activities related to the organisation's mission.

In the context of the current European financial crisis, some Italian opinion leaders are saying that foundations should concentrate their reduced resources on large-scale grants for greater impact. Even though I can understand this standpoint, I must underscore that it is people rather than projects that have impact, and we should therefore start focusing on improving citizens' ability to influence and shape their own communities. This is easy enough to do for banking foundations but requires a radical change in their strategic thinking – a change that would support their missions to do good right here, right now.

For a list of the works referenced in this article, please contact:
Thomas.Bastianel@fondazionecariparo.it
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www.efc.be/TIEPOLO



By John R. Healy, Centre for Nonprofit Management, Trinity College Dublin

Foundation leadership transitions in times of change

Change is the order of the day in the world of foundations in Ireland and the UK. Not only are foundations there, as elsewhere in Europe, dealing with a changing financial landscape due to the economic crisis - foundations in these countries are dealing with a changing philanthropic landscape as well, with the winding down of several key foundations, and notable leadership transitions on the horizon for others. In a time of turmoil it is more important than ever that foundations are governed and managed effectively. This is particularly so when a foundation must change its leader. Such transitions are inevitable but foundations are often ill-prepared for them.

The philanthropic sectors in these two countries are undergoing significant change. The two largest foundations in Ireland, The ONE Foundation and The Atlantic Philanthropies, are entering their final stages, with ONE closing its doors in 2013 and Atlantic planning to end active grantmaking in 2016. Two highly respected and long-standing UK foundation leaders – Stephen Pittam of the Joseph Rowntree Charitable Trust and Anthony Tomei of the Nuffield Foundation – are retiring. Richard Hoppgood of The Henry Smith Charity has announced his intention to retire later this year after a decade at the helm. And the Diana Princess of Wales Memorial Fund will close down in late 2012.

In the best of times a leadership change is a time of uncertainty and danger for a foundation. Grantees will be unsure if their funding will continue. Aspiring grantees will be concerned that a foundation about to change leaders will strike out in a new direction, disqualifying them from funding in the future. Staff will worry about the security of their jobs. Board members will find the lack of clarity unwelcome. And there is some evidence to suggest that there is an uncomfortably high chance that the leadership transition will be unsuccessful.

Research undertaken in the US by the Neighborhood Reinvestment Corporation (see "Helping Organizations Achieve Successful Leadership Transitions, published by the Association of Small Foundations") has highlighted the serious risks of failed or unsuccessful transitions. This research suggests that most transitions (as many as 70%) are "non-routine" and occur due to an organisational crisis or the departure of a founder or visionary leader. The research showed that poorly-managed leadership transitions incur high costs for organisations.

A foundation which has an unsuccessful leadership transition will have to double-pay for recruitment consultants and for interview expenses. But, more important, the momentum of the organisation will be interrupted, its reputation is likely to be damaged, and its ability to achieve its goals will be compromised. The risks of a leadership transition are not often understood, particularly by boards of trustees,

and the planning for an event that should be easily forecast often leaves much to be desired. It's not clear why this is so. It's possible that, for board members, thinking about a leadership transition before it is absolutely necessary is like preparing a will – most will agree they should have a will, but many find it uncomfortable to write one.

Questions which foundation trustees need to ask themselves when embarking on a leadership transition include:

- Do we have a succession plan in place?
- Have we invested sufficiently in the development of our own talent so that we have credible internal candidates?
- What are we going to communicate to our grantees, our grantmaking partners, and our staff about how we are going to handle the recruitment of the new chief executive?
- Is our strategic plan robust and realistic?
- Are we as trustees aligned around the organisation's mission and strategic plan?
- Do we have a common understanding of the skills, experience and values which our new chief executive will need?
- Are we prepared to engage, and pay attention to, external advisors who might help us recruit the person we need as our leader?
- If not, do we have the skills and knowledge needed to handle the recruitment ourselves? For example, do we understand the legal environment in which recruitment now takes place?
- Are we prepared to put in the time needed to find the right person?
- What supports will the new CEO need and how will we deliver them?

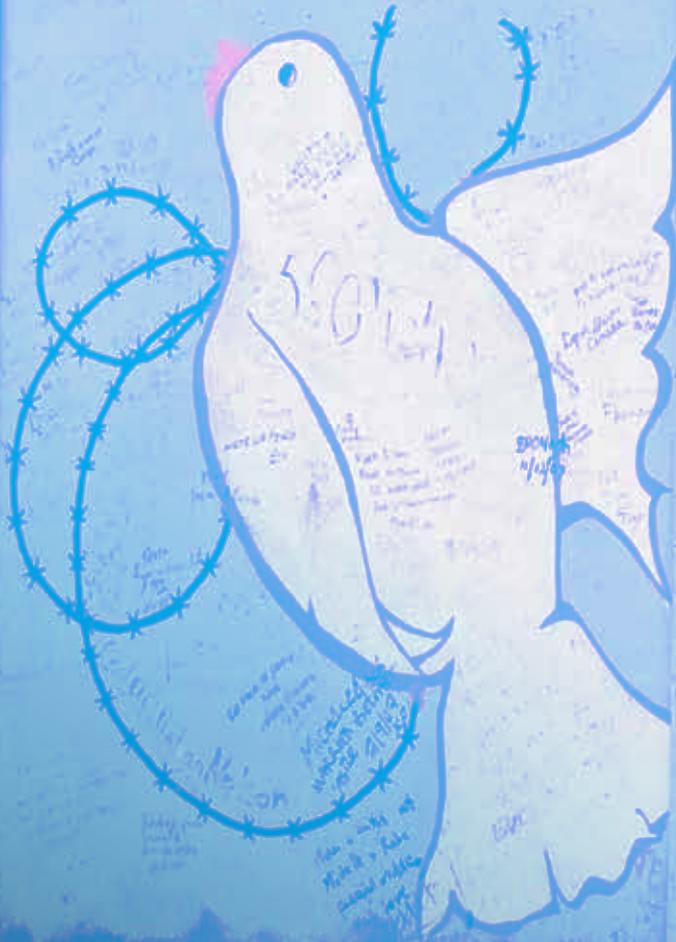
It's particularly important that a board has a clear view on whether the foundation is on the right track, or if significant changes are called for. The tendency of most newly-appointed CEOs will be to make their mark by adopting new strategies and striking out in new directions. This is especially so in the US, where newly-appointed foundation leaders often feel the need to distance themselves from their predecessors by dispensing with the services of staff whose only fault is that they were in place during the ancien regime. A wise board will define the boundaries of what should not be changed and what should be up for review.

Lest board members become overwhelmed by the difficulties of a leadership transition, they would do well to remember that transitions are not only times of risk but also times of opportunity. A leadership transition is an opportunity for the board to take stock. It is a chance for the board to reaffirm the mission and strategy of the foundation. And it is an opportunity for the board to ensure that it is united as it faces the changes and challenges of transition.

www.cnm.tcd.ie

PEACE, SOCIAL JUSTICE AND FOUNDATIONS

FEATURE



two, thus making peace
in this one body to rec
both of them to God
the cross by which He
death their hostility. He
and preached peace..
through Him we both ha
access to the Father b
one Spirit.



By Avila Kilmurray, Director, The Community Foundation for Northern Ireland

Philanthropy and peace-building - The example of Belfast

Forty years ago - 1972 - Belfast was beside itself with violence, death and division. Internment without trial was in force and the UK government took over local governance through direct rule. Today Belfast still faces challenges, but it is now a city of tourism, of a redeveloped waterfront and a city which has the confidence to reach out to people who want to share its story. In an extraordinary exercise in cross-community powersharing, a devolved Assembly and Executive have taken control of local decision-making. Whereas 40 years ago Belfast city centre was encircled by barbed wire entanglements and British Army checkpoints, it now boasts a medley of cafes, bars and tourist buses.

While it is difficult to chart direct cause and effect, it is clear that philanthropy has made a positive contribution to the lives and hopes of people and communities across Northern Ireland. A courageous coterie of British-based charitable foundations worked to ameliorate the hurt and alienation during the years of violent conflict, while more modest contributions were received from individuals and corporate grantmaking in the Republic of Ireland. The Ireland Funds, which channelled monies from the Irish diaspora, were also active over the decades of the 1980s and 1990s. "The Troubles", as they are known locally, did not make grantmaking easy, particularly in the case of those foundations that had limited access to local information, although a number built up networks of informants and advisors. The Community Foundation for Northern Ireland, which was established in 1979, often fulfilled that role. In situations of conflict and division the first premise for any grantmaker is not to make matters worse.

In the early period of the Troubles the main impact of philanthropic investment was felt within the most disadvantaged communities and in supporting work with people in need. Faced with fragmented state services, a multitude of community-based activity developed and was facilitated by philanthropic funding. Two stalwarts with a record of funding innovative, and often risk-taking, community education were the Nuffield Foundation and the Calouste Gulbenkian Foundation. What community education brought to peace-building was the ability to question accepted wisdom, stereotyping and the lazy politics of blame. It was often able to hone activism with analysis resulting in more effective advocacy.

While it may be invidious to, as the poet Yeats wrote, "number them in my song", some twenty UK grantmakers were consistent supporters of community and voluntary action in Northern Ireland over many decades. Indeed, they formed the core of a Northern Ireland Interest Group meeting under the auspices of the Association of Charitable Foundations (ACF). They provided a sense of empathy and interest in times when there seemed to be no silver linings, and they were generally open and responsive to community-penned requests rather than believing that they, as wealth holders, had all the answers. Philanthropy ensured that work with children and young people

could be developed to quality standards in a society where young people experienced the cutting edge of violence. It supported the essential work of women's groups and organisations which were at the centre of exploring common concerns and respect for difference. It helped to address issues of discrimination and marginalisation as felt by the Traveller Community, ex-prisoners, people with disabilities



and minority ethnic groups. It funded a plethora of community arts approaches which introduced technicolour in to communities more accustomed to the grainy black and white of the Troubles. It also supported more established health and education charities that offered important services to a wide array of people.

But there were also points of transformation that challenged the accepted status quo and created room for a new sense of what was achievable. When Lagan College opened its doors – with philanthropic support – as the first integrated secondary school, it made a statement that the parent-driven Integrated Education movement was here to stay. When charitable foundations funded the Opsahl Enquiry in 1992, it spoke to the need to develop inclusive approaches to escape from the confines of violence. When philanthropic mon-



© Belfast Tourism Board

ies were awarded to fund research into the early release of political prisoners and their potential contribution to peace-building it was seen as a vote of confidence in effective conflict transformation. And when funding was forthcoming for human rights defenders, such as the Campaign for the Administration of Justice (CAJ), which refused to take state money, then a statement was being made that such principles are important.

When Atlantic Philanthropies (AP) opened an office in Belfast in the mid-1990s, the generosity of its donor became not only evident but the impact of its philanthropy became a change maker in a small society. There are a handful of indigenous charitable trusts and foundations in Northern Ireland, but AP was of a different size and scale. It also brought with it a new awareness of philanthropy beyond the shores of Britain and Ireland that had hitherto only touched Northern Ireland in a very limited manner. Notwithstanding the impact of the conflict, the North still fell into the Western Europe category which placed it firmly outside many foundation guidelines, while only a small number of established institutions and organisations could afford professional fund development strategies.

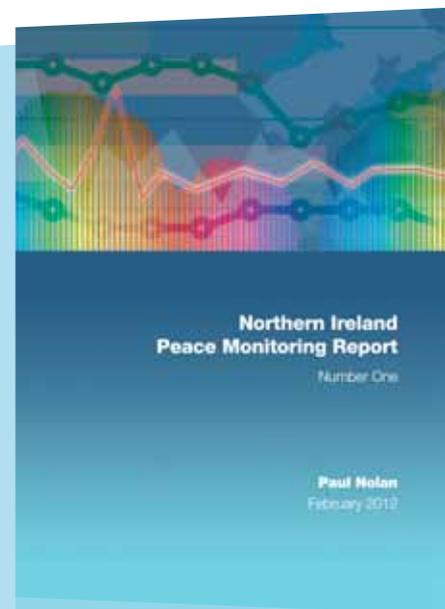
“Philanthropy” is not a word that trips off the tongue in Northern Ireland where talk of charitable giving is more usual, but, whatever the term used, social activists will immediately relate it to the deeply-rooted affection and respect for the Quaker Trusts over the years. Barrow Cadbury, Joseph Rowntree Charitable Trust and others not only invested in cutting edge initiatives, but also actively encouraged other funders to follow their lead. It helped, of course, that the Society of Friends had local representatives working for reconciliation and peace in Belfast – consequently there was an understanding of what local activists were talking about even when rather incoherently expressed. There was also a willingness to support tentative developments that nudged the peace process forward, recognising the importance of timely support to catch the pulse points of change. Not all of them were successful all of the time, but then that is the essential contribution of philanthropy – it can engage in action-research and development, and if it can do so with a clear value base, then so much the better.

www.communityfoundationni.org

Northern Ireland Peace Monitoring Report

As we approach the 14th anniversary of the Good Friday Agreement the first major stock-taking of the Northern Ireland peace process is just now being published. This report, independently funded and supported by the Joseph Rowntree Charitable Trust and the Joseph Rowntree Foundation, has been published by the Belfast-based Community Relations Council. This annual publication not only takes stock of the level of political violence, but of social inequalities, events in the political realm and the degree of cohesion in the society as a whole. By analysing all available data the report helps us to see whether we are heading towards a shared future or, as it is sometimes put, a shared-out future. The report was written by Paul Nolan and published by the Community Relations Council in 2012.

www.community-relations.org.uk



Philanthropy in the Arab region

Issues of social justice and peace are at the heart of what has been happening in the Arab region. *Effect* talked with philanthropy leaders from across the region to find out what they feel the main challenges are for foundations and philanthropy there, and what their role should be.

“ The Arab Spring is sweeping the region as Arab citizens continue to demand justice. Economic, political and social reforms are being instituted region-wide to improve quality of life and ensure equal economic opportunities, better social programmes, education and freedom of speech for all. The foundation sector has a central role to play in supporting the current changes in the region by addressing the key issues driving the Arab Spring. The main challenge for foundations today is to create new strategic agendas that meet the aspirations of the people and attract donors to effectively support new objectives. Specifically, and as an umbrella organisation, the Arab Foundations Forum (AFF) has an important role to play in supporting the Arab Spring. AFF's current objectives are to strengthen the infrastructure that facilitates national dialogue, creating space for policy development, advocacy and cultivation of new leadership and to build the capacity of civil society organisations (CSOs) and promote collaboration to help them join forces and streamline efforts. In this respect, AFF is undertaking various activities to support the sector in its pursuit of democracy and social change. ”

- Luma Hamdan, Director, Arab Foundations Forum (Jordan)

www.arabfoundationsforum.org



“ The political changes currently underway in parts of the Arab region constitute a unique opportunity for rights groups to bring human rights values into the mainstream. In this context, the Arab Human Rights Fund (AHRF) is well prepared to carry out its mission as the only independent, Arab grantmaking organisation in the field of human rights. Transitional processes are long and painful and their success is linked to a buy-in from the society itself through the endorsement of democratic values. It is not enough for the international community to encourage new governments to commit to international human rights standards. Donors like the AHRF must also lend support to initiatives aimed at popularising the universal values of human rights so that these values become the foundation of the re-born Arab political order. If the international human rights community fails to provide enough support to grass-roots interventions, the outcomes of the Arab Spring will fade away in favour of new autocracies and theocracies. ”

- Elie Abouaoun, Executive Director, Arab Human Rights Fund (Lebanon)

www.ahrfund.org

“ The challenges that non-profit organisations face are ones that originate inside them, for we cannot demand the implementation of rational governance, social justice and the like on a social level, unless primary steps are taken by non-profit organisations to implement such concepts within their existing structures. Most organisations in the Arab region face somewhat similar dilemmas – a board of directors that must make sure there is no conflict of interest between strategic plans and the interests of its members; filling staff positions, with all the advantages this entails, with the most competent candidates, whether men or women; and managing funds that must be subject to full transparency in regards to how and where they are spent. Financial resources remain the major concern for all organisations, wherever they are based. However, the rule that "a good product attracts the buyer" remains what organisations need to follow as the perfect equation between a well-organised internal structure, and a range of programme and service products that match the needs of the community where the organisation is based. ”

- Hammam Zare, General Manager, The Society of Majid Bin Abdulaziz for Development and Social Services (Saudi Arabia)

www.majidsociety.org





“ One of the most important aspects of democratic reform in the Middle East is ensuring that leadership in this area comes from local institutions. For years before January 2011, the Foundation for the Future (FFF) was actively supporting locally-based and -led Middle East CSOs promoting democratic reform. The foundation supported dozens of dynamic CSOs for civic and youth participation; transparent governance and rule of law; human rights and free media; and women’s empowerment. CSO leaders supported by FFF immediately engaged with the democratic surges in Tunisia, Egypt, Yemen, Libya, and Morocco through mobilisation, training, and advocacy. To date FFF has been able to work with and support more than 200 skilled, dedicated and courageous activists throughout the region at various stages of democratic reform. Aside from the financial support from 11 international governments before 2011, FFF has now staffed a significant new field office in Tunisia with assistance from Denmark, will soon open an office in Libya, and has expanded other key programmes with timely new support from Switzerland. ”

- Nabila Hamza, President, Foundation for the Future (Jordan)
<http://foundationforfuture.org>

“ The Arab region has been witnessing a steady growth in the number of foundations and increased engagement of corporate philanthropy in support of social and economic initiatives. Close consultations and engagement with corporates, grantmakers and foundations in the region have revealed gaps that are related to performance benchmarking, governance, accountability and transparency. Recent moves to build the infrastructure of philanthropy in the region have envisaged gradual progress, but recent events have shown that this is not enough. In today’s climate, people are demanding justice and “ownership of the agenda”. This will require a new level of transparency in donor-grantee relations, and communities require from donors that what they are offering fits local needs rather than the donor’s agenda. In December 2011 SAANED convened foundation leaders from across the Arab region to push for more accountability and transparency within our sector. Participants agreed that this will improve the profession and enhance credibility and transparency, which in turn will boost negotiating power with government to come up with better regulatory structures including relevant laws, tax breaks and a more enabling environment in general. ”

- Atallah Kuttub, Founder and Chairman, SAANED for Philanthropy Advisory in the Arab Region (Jordan)
www.saaned.com



“ Dramatic events continue to unfold in the region, and it is difficult to tell what impact they will have on the artistic and cultural landscape over the long and short term. No doubt this shifting from the status quo has released new energies, but with the emergence of new cultural initiatives we see also repression and backlash. Some artists have stopped producing, being unable to concentrate on their artistic work during these turbulent times; while others are integrating politics into their work, as they feel the need to contribute to the change process around them.

The challenge for foundations supporting their constituency in these tumultuous times is to keep a balanced footing and maintain a long-term strategy. Diversity, creativity, open expression and experimentation remain the ultimate objectives. ”

- Oussama Rifahi, Executive Director, Arab Fund for Arts and Culture (Lebanon)
www.arabculturefund.org

“ The main challenge for foundations – be they located in the Middle East or anywhere else in the world – is to be able to deliver long-term sustainable impact. If we are to make a tangible contribution to socio-economic development, we need to be able to deliver measurable and sustainable value through our programmes. This requires high levels of accountability and transparency and, notably, an ability to admit what works and what doesn’t, to share this information and to learn from failure. All too often foundations are beholden to trustees that only want to hear the good news. This prevents foundations from developing a culture of innovation, risk-taking and learning, which I believe are critical to their effectiveness. ”

- Clare Woodcraft, Chief Executive Officer, Emirates Foundation (United Arab Emirates)
www.emiratesfoundation.ae





Reading the Riots

Last August, as the UK was living through the immediate aftermath of the worst street disturbances in a decade, the one thing we were not short of was answers. While some commentators were quick to condemn rioters as a criminal minority, others felt equally clear that the rioters were protesting against government cuts. Some people blamed poor parenting, still others the high level of income inequality. Social media, abolition of the Educational Maintenance Allowance, consumerism... the list of answers as to why the riots had happened was seemingly endless. Despite consensus that any response should be "evidence-based", very little evidence was being mobilised in the public debate, and the rush to policy was precipitate.

The Joseph Rowntree Foundation's aim is to use high calibre research and practical experience to understand the root causes of poverty and inequality, and set out solutions that will improve the lives of disadvantaged people and places. Building a better understanding of the England riots – and in particular building that understanding within a timescale that allowed for a more evidence-based response from policymakers – was of critical importance. For these reasons, when we were approached by a team from the Guardian and the London School of Economics (LSE), we were keen to participate alongside the Open Society Foundations, despite the innovative nature of the partnership, and the (for a foundation) extremely tight timescales involved.

The Reading the Riots project was split into two distinct phases – the first involved recruiting and training a team of 30 researchers who, with the support of community-level brokers, conducted 270 interviews with people involved in the riots and coded and analysed their responses. At the same time, another part of the research team based at Manchester undertook an analysis of more than 2.5 million tweets to test the idea that social media were driving the disturbances. The fact that this work was done in just three months was in large part due to the drive and energy of the team at the Guardian, led by Special Projects Editor Paul Lewis.

In December last year we were able to release initial findings, which received extensive media coverage in print and television. The launch conference featured responses from a range of key policy makers, including the Home Secretary Teresa May, and Leader of the Opposition Ed Milliband. Most positively, the Home Secretary announced at the conference that she had asked the Association of Chief Police Officers to review the use of stop and search in forces across the country, and the Metropolitan Police instigated a review of their own use of the tactic in part in response to the strength of feeling among rioters that stop and search had been used to victimise their communities. The project's findings also supported the work of the Riots and Victims Panel, whose own evidence sessions had raised many similar issues and concerns.

SO WHAT DID THE INITIAL FINDINGS TELL US?

The rioters clearly felt a strong sense of injustice, of being excluded from opportunities and treated without respect. When asked to list what they felt to be the most important causes of the riots, they ranked very highly poverty; policing; government policy and cuts; and unemployment (the range was from 89% for poverty to 79% for unemployment). But they were also surprisingly willing to ascribe more self-incriminating motivations – 70% felt greed was an important cause, 68% boredom, 64% criminality. In fact, rioters were just as likely to blame individual greed as they were to blame inequality. The vast majority of rioters interviewed felt sure that riots would happen again in the future, many of them saying they would happen in the next year.

This mixed picture is reflected in the interviews, and in some ways this explains the polarised public responses. Those of us seeking an explanation for the riots in injustice will find plenty of evidence: "You see the rioting yeah? Everything the police have done to us, did to us, was in our heads" (man, 20, London). For those of us seeking an explanation for the riots in the irresponsible or criminal behaviour of individuals, there is also a wealth of corroborating material: "It was like the Wild West or something. I remember laughing because I think it must have got a bit indiscriminate, the shops [that] had been done" (man, 23, Salford). The initial findings provide a mirror where there is a risk that we only see our own reflection, something which makes the more nuanced analysis of the project's second phase so critical.

This second phase is underway now, and has two key components. First, Tim Newburn at the LSE is undertaking a more detailed analysis of the interviews, drawing out themes, and highlighting and exploring the complexity in rioters' accounts. His more in-depth academic analysis is critical for the long-term impact of the project – initial findings and high media profile may have slowed the rush to judgement, but only a more nuanced account of the causes of the riots can provide us with the understanding needed to respond effectively, and prevent a recurrence. Second, the Guardian is leading a series of Community Conversations in riot-affected cities around England.

These open debates will give members of the public a chance to air their views about the riots and their aftermath.

WHAT ARE WE LEARNING FROM THE PARTNERSHIP?

Working at speed with only an outline plan and across organisational boundaries required an enormous amount of trust, which was tested at times when our working cultures clashed. The efficiency and pace of the Guardian team was revelatory but their desire for a series of compelling stories, rather than a single coherent analytical frame, was a challenge both for our foundation and the LSE, each used to a different, more academic approach to sense making. That said, each organisation brought

skills, passion and resources to the table and together we have achieved something remarkable and exciting.

The full analytical report on the interviews with rioters will be published by LSE in Summer 2012. For more information on the project, go to: www.guardian.co.uk/uk/series/reading-the-riots

For more information on the follow-up study, contact T.Newburn@lse.ac.uk

<http://jrf.org.uk>

By Zakeera Suffee, Programme Assistant,
European Programme for Integration and Migration*

Philanthropy's role in radical politics

The world is changing, developing, and growing, yet shrinking and unravelling all at once, and not at all. Two words can summarise the year 2011 – civil unrest. And this was not restricted to the Arab Spring. The Global North had a brief bout of bravery with the emergence of the Occupy movement and the Indignados marches. What role has philanthropy played, and maybe more important, what role should it play in these types of movements?

Western modern history paints a scattered picture of radical grass-roots activism, from the suffragettes, to the American civil rights movement, to student uprisings, to the emergence of online "hacktivism". These movements, each in its own way, oppose the systematic

structures that produce inequality and social injustice. The past 100 years have seen waves of protest and dissidence manifest themselves in ways that are more creative and more spectacular than the last. The

Occupy movement is no different, using methods of physical expression that were used by countless others before. It's interesting now to look at the relationship between these kinds of movements and philanthropy.

Historically, philanthropic reformists took explicit stands against poverty and misery in their societies. They used their means of production, and their profits, to re-invest in society. These methods have yet to change within the foundation world. Even though keeping the balance between playing by the book and supporting civil unrest can sometimes be difficult, some European foundations have granted funds to radical grass-roots actions that could be seen as outside the realm of mainstream acceptance.

In an effort at transparency, the Occupy London Stock Exchange (LSX) lists its online and in-camp donations each week. It doesn't specify other, if any, funding sources. Foundations who would be sympathetic to their cause might be reluctant to donate to radical actions, to the workshops that critique the very structures that some foundations rely upon for their endowments. Yet is this dialogue not vital for the reforms to society that foundations aim towards?



Radical grassroots activism, such as Occupy LSX, raises important questions within our wider European society of the inequality that will arise from austerity measures, of the desperation felt by many, and the failure of a political system to engage and dispel this desperation. Foundations often raise these same questions but tend to search for answers by funding more structured and established organisations. There is not much difference in aim, but more in method. Philanthropy and grass-roots radical actions need not be in lock-step, but the ultimate aim for both is towards a better, equal and just society. Many philanthropists in the past have swum against the current, and have taken the lead on alternative methods of engaging in society – just as grass-roots activism has. Now could be the time to let the radicals lead, with foundations backing them.

The Occupy movement may be slowly losing momentum, losing the legal battle to remain, but the political battle, and the ideological reasoning remains – as a famous slogan from the unrest of 1968 in Paris says, "Soyez réalistes, demandez l'impossible". A message for foundations now more than ever.

www.epim.info

*Affiliation at time of writing



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Protester at an Occupy event in London, 2011.

selves in ways that are more creative and more spectacular than the last. The

PEACE THROUGH SOCIAL JUSTICE

A ROLE FOR FOUNDATIONS?

6-8 June

BELFAST



Join your philanthropic colleagues from around the world as we debate foundations' role in achieving peace through social justice at the EFC's 23rd Annual General Assembly (AGA) and Conference. Northern Ireland's capital, which has emerged from decades of conflict to establish itself as a lively, attractive destination, provides an apt location for conference debates and discussions on this and many other issues relevant to philanthropy.

DIVING INTO BELFAST

Throughout the conference, delegates will get out and about in Belfast for a variety of evening events to learn firsthand about the role of philanthropy in making the city what it is today:

Diversity in a contested society: Meeting established and new communities

CLIFTON HOUSE, CLIFTON STREET, NORTH BELFAST

Meeting the community on social enterprise and community engagement

BALLYBEEN SOCIAL ENTERPRISE CENTRE, DUNDONALD,
EAST BELFAST

Peace-building and conflict transformation: Change is possible

CULTURLANN IRISH CULTURAL CENTRE, FALLS ROAD,
WEST BELFAST

The contribution of community arts and culture: An opportunity for self-expression

THE CRESCENT ARTS CENTRE, UNIVERSITY ROAD,
SOUTH BELFAST

Working with children and young people: Sharing the stories

MAC ARTS CENTRE, ST. ANNE'S SQUARE, CENTRAL BELFAST

Gala dinner at Titanic Belfast

[HTTP://TITANICBELFAST.COM](http://titanicbelfast.com)

www.efc.be/aga



CALLING ALL NEW EFC MEMBERS!
Join us for a special cocktail reception on 5 June for foundations that have recently joined the Centre. Come and get to know EFC staff and other new members!



By Medina Haeri Lanz, Programme Associate,
Issues Affecting Women Grants, Oak Foundation

Social justice through women's rights

The social marginalisation and economic and political disempowerment of women and girls in many parts of the world significantly impair the realisation of social justice and prevent the attainment of women's full and equal human rights. As the issues confronting women are complex and multifaceted, so too the solutions for addressing these issues must be comprehensive, span multiple sectors, and represent multiple perspectives. Most important, achieving a critical mass of women who are individually and collectively empowered to challenge patriarchal norms, tackle the root causes of inequalities and demand the full spectrum of their rights requires engaging with women at all levels of society, from the most local of women's groups to global organisations spanning several continents.

According to the findings of the 2011 report, "Untapped Potential: European Foundation Funding for Women and Girls", commissioned jointly by Mama Cash and the EFC, 90% of European foundations surveyed expressed interest in at least one issue related to women and girls. However, only about one third (37%) intentionally focused on at least some of their work on women and girls, which amounted to only 5% of total grant monies awarded. At the same time, much of the recent interest by private and bilateral donors in funding initiatives that support women and girls frame this support as a means of achieving a larger goal, such as poverty eradication – the so-called "women's effect" model. Because these agendas are often externally driven, they can serve to instrumentalise rather than empower women to bring about real social changes for them in their communities. Additionally, these funding schemes can further undermine genuine social, political, and economic advancements for women and their communities by fostering competition instead of cooperation among women's organisations.

Rather than viewing women's rights primarily as a path through which we can achieve broader social and development goals, the Oak Foundation's Issues Affecting Women Programme (IAWP) is committed to investing in women as a means of contributing to a world in which women have the rights, capacity and opportunity to experience safety from violence and to enjoy their full and equal human rights. This means providing direct support to women's organisations and networks, empowering them to contribute to and participate in realising women's rights agendas that they themselves define. It also means recognising that women are more powerful together than alone and thus, need to be connected. This approach is the fundamental driver of our programme's commitment to strengthening women's rights movements, primarily in the Global South. It illustrates Oak Foundation's approach to achieving social justice for the most disadvantaged and also serves as an alternative model for achieving larger societal gains through equality and realisation of women's rights.

Grass-roots women's groups are important partners for our programme because of their critical knowledge of and access to the

needs, capacities and experiences of women at the community level. Since they are often not even formally constituted, funding from large international donors, like the Oak Foundation, rarely trickles down to reach these local partners. In recognition of these constraints, IAWP has identified women's funds as our natural allies for extending our reach to grass-roots women's groups. Because of their flexible grantmaking processes and their strong local knowledge, women's funds can identify key grass-roots groups and provide them with the small amount of funding they need to bring about fundamental changes for women in their communities.

Women's funds further contribute to the development and empowerment of the groups they support through their capacity-building activities. They also forge important links among these women's groups to build and strengthen women's rights movements at the local level. Finally, because of their connections with each other (via the International Network of Women's Funds) as well as other global actors, women's funds bridge the voices and experiences of their grass-roots grantees with larger women's rights movements.

IAWP is also committed to supporting international women's NGOs and global women's coalitions that serve to aggregate and amplify the voices and perspectives of women at a global level, linking and strengthening these individual parts to build strong, vibrant, and resilient women's rights movements.

Another critical aspect of our movement building strategy is ensuring that women's organisations and networks have the financial resources to carry out their work. This means engaging with the broader donor community to encourage greater investment in these women-led initiatives as the cutting edge of promoting social justice. Thus, a real "women's effect" – the realisation of broader social, economic, and political goals that so many donors claim to support – can only be achieved when the voices, experiences, and needs of women are fully incorporated into grantmaking practices.

www.oakfnd.org

Navigating the long road ahead



If the UK were a person, it would have an annual income of £28,775 and annual expenditure of £35,125. It would have a mortgage of £52,200 to support, but would be adding £6,350 to its credit card every year*. People are short of money, and are going to be more careful with it. Everyone is more nervous, and consequently stock markets are more jumpy. Navigating the road ahead will be tricky, so what should long-term investors do?

To make good long-term decisions successfully foundations should be clear about their values and mission, and invest and spend accordingly. Changing course frequently suggests that we have lost our sense of direction. A long-term investor makes a few important decisions, and changes little, rarely. Those who provide advice, on the other hand, make their money from change. A foundation should be aware of this and always ask the question: Will this change make a significant difference over 10 years, and will we stick with it, or are we likely to change our minds? Surprisingly, when it comes to investing, the cheapest elements contribute the most to the return on investment:

High (1) to Low (5)	Contribution	Cost
Governance	1	5
Equity/bond mix	2	4
Active/passive	3	3
Manager selection	4	2
Stock selection	5	1

You can see from the table above, which I put together to illustrate this concept, that the contribution to the return is in exactly the opposite order to the cost of making it. So a set of trustees who make a thoughtful plan and stick with it matter much more than choosing the right manager, or the right manager choosing the right stocks. Good governance is always cheap, either as a proportion or as fixed price, because the cost of getting it wrong is so enormous.

Let's start with the first element in the chart. So what is "good governance"? It is a board, and its advisers and staff, who think carefully about a decision, what might happen if it goes wrong, and what happens if it goes right. The ability to do nothing is more important than feeling the need to do something. Acting as owners, rather than traders, is what matters in long-term investing.

So if governance is of primary importance, the next decision should be how much to hold in bonds, or "safe assets". Over the long run bonds return about half the amount of stocks

and shares, so the more we hold in bonds, the less money we can distribute to our beneficiaries. We ought to try and make the most money we reasonably can, and what is more, if there is inflation, bonds will become progressively worthless. They are, in fact, not a safe asset for long-term investors, but a dangerous one.

Safer assets for a long-term investor are equities and property, as they always have been in an inflationary world. Both of these assets do two important things – they provide cash periodically (unlike gold or other commodities), and they can increase the prices of their goods when inflation puts up their costs, so that they can maintain their profits. Bonds, which pay a fixed income, cannot do this.

The third decision is whether or not to invest actively or passively, which is to say, should we buy a cheap fund that mimics the stock market index, or use an active manager who claims to be able to add value? Out-performing an index is an almost impossible task over the long term so it is better not to try. But that assumes that the stock market index really does represent what you want to achieve. It doesn't. Any sensible foundation will want to own well-run companies with growing earnings that will neither go bust nor pass a dividend. If you invest in an index you automatically spend most of your money on the largest companies in the market. Why would you choose to do that? They aren't the best, they're just the largest. Why not hold 30 well-run companies in equal amounts – surely that provides more thoughtful diversification?

Why not instruct clever, honest people and trust them with your money? Here "trust" means not telling them how much they must own in each region, sector or company, but leaving it to their judgement. Nor does it mean buying a product in which you have to own things that other people want to own. Your own portfolio should reflect your own values, so you can invest in long-term companies with which you want to have a relationship. Set an "inflation plus 5%" benchmark – nothing else – and measure it after 4 or 5 years. Get a good manager whom you understand and trust, and who understands how to choose which assets to buy, and (importantly) to sell.

*Analogy from Schroders, a UK investment management company, using the UK's economic statistics, but removing seven zeros and dividing the result by two to make it understandable.

The last point is stock selection. You don't need many stocks to be diversified, and you don't want to chase your tail looking for the best. What we want are reasonable returns – chasing the best is a short-term approach. Why not go for fewer than 100 well-run, growing companies that both support your values and offer reasonable diversification? Sometimes other investors will do better, but probably not in the long run. Negotiate low fees for this long-term commitment.

So there are three enemies for long-term foundations – poor governance, a weak understanding of why we invest, and inflation. Being a trustee in this economic environment can be worrying, and a natural response is to hold only conventionally “safe” assets. But ironically such a response, when safe assets are more expensive than ever, may well have a much higher

chance of generating a loss than buying “riskier” assets that are cheap. Similarly short-term “return envy” is incompatible with long-term investing.

Most foundations are the offspring of successful capitalists – people who built their businesses from acorns into oak trees – and who, in the process brought much wealth to many and ended up as great philanthropists. A role for foundations is to make sure that today's scarcer capital is used wisely and to improve society by providing employment and funding innovation and growth – and philanthropy. Certainly harvest economic benefit, but do so responsibly and with thought.

www.nuffieldfoundation.org

Study on foundations' governance and financial management

Sponsored by six foundations and produced by the Association of Charitable Foundations, a new report entitled, “The Governance and Financial Management of Endowed Charitable Foundations”, is being published at a time when endowed charitable foundations are coming under growing pressure to increase funding, and therefore returns. Written by Richard Jenkins, an independent consultant and researcher, this study considers how foundations can make the most of the remarkable degree of independence they have. Identifying key issues of governance and financial management for foundations and the risks they face, it asks what might constitute failure, and whether a significant risk might not be the risk of being insufficiently bold.

Aimed at the lay reader – in particular, the lay trustee – with no special expertise in the law, finance or investment management, the report aims to provide a framework in which trustees can make effective and purposeful decisions for the trusts they have been appointed to serve. The report does not advocate a particular approach or set of answers to the difficult questions facing those who run foundations. It aims instead to describe some of the range of current practice, while also reflecting on it. It highlights key questions which may help focus the thinking of those who run foundations and draws some conclusions for trustees and staff, advisers, umbrella bodies and regulators.

The report sets out some of the basic legal principles relevant to the situation of endowed charitable foundations and introduces some of the issues which might arise when applying these principles in practice. The report addresses the situation of foundations governed by the law of England and Wales and regulated by the Charity Commission. Separate legal and regulatory frameworks exist in Scotland and Northern Ireland. Although this variation exists across the UK, foundations face similar issues in each jurisdiction and the principles set out in the report and the thrust of the reflections should broadly hold for foundations across the UK.

The following are members of the study's steering group: Esmée Fairbairn Foundation, Joseph Rowntree Charitable Trust, The Nuffield Foundation, Paul Hamlyn Foundation, Trinity College, Cambridge, and Trust for London.

The report is available on the ACF website.

www.acf.org.uk

Finance Watch Initiative

EFC Member Adessium is supporting Finance Watch, an initiative that aims to ensure that financial regulation in the EU reflects the best interests of the public. Membership of this association includes consumer groups, retail investor associations, housing associations, trade unions, foundations, think tanks, NGOs, other civil society organisations and individuals who are experts in fields related to financial reform. Finance Watch aims to rectify the imbalance of expertise between financial industry lobbyists on one hand and decision-makers and the public on the other.

www.finance-watch.org



A foundation takes a bold step to mitigate financial pain in Greece

In January of this year, the Stavros Niarchos Foundation announced a 100 million euro commitment to support a series of pilot programmes addressing the adverse effects of the deepening crisis in Greece. *Effect* asked Stelios Vasilakis and Lenia Vlavianou, Public Affairs Officers at the foundation, to tell us more about this bold intervention.

Effect: What drove your foundation to take this step?

Stelios Vasilakis and Lenia Vlavianou:

Greece has been the focus of the foundation's grantmaking activities since the beginning of its philanthropic efforts in 1996, following the explicit wishes of its founder, Stavros Niarchos. The focus on Greece acquired greater importance as the country entered an unprecedented economic crisis in 2008. As the crisis unfolded, the foundation continued its funding initiatives in Greece in all of its four programme areas (social welfare, health and medicine, arts and culture, education), including the construction of the Stavros Niarchos Foundation Cultural Center in Athens, by far the foundation's largest single gift (566 million euros). The foundation firmly believes that the project is of national importance, even more so under the current socio-economic conditions. It remains a testament and a commitment to the country's future at a critical historical juncture. It is also an engine of short- to mid-term economic stimulus, which is essential under the current circumstances.

However, with the crisis deepening, turning from a financial to a devastating social crisis impacting every level of Greek society, it was evident that maintaining our current support in Greece was, to put it simply, not enough anymore. The crisis is rapidly reversing decades of economic growth and increases in Greeks' standards of living. The impact is severe for everyone, and especially for the most vulnerable of citizens (children, elderly, people with disabilities, and the poor). The foundation felt, therefore, that it had to do much more. Extraordinary circumstances demand extraordinary acts, and this drove the foundation

to commit 100 million euros over the next 3 years to help ease and alleviate the adverse effects of the crisis.

Tell us a bit about the programme and what you hope to achieve with it.

Our commitment is to those most in need, but it is also a promise to future generations. We intend to offer immediate relief by funding social welfare and health programmes, but we will invest also in educational programmes that should help ensure that the current crisis does not condemn future generations. The first part of the initiative involves a threefold approach: Providing social housing services to families on the brink of losing their homes, and supporting them on multiple levels (psychological support, financial literacy, and employment opportunities, among others); creating day centres for the homeless, a growing need since homeless numbers have increased due to the crisis; and distributing food aid to organisations and families in need. Recently, we approved the implementation of various other programmes, including among others, supporting schools across Greece, both with food aid and technological equipment; creating an emergency room and a "High Dependency Unit" for children at a hospital; establishing a kidney clinic in a children's hospital; and many more. This second instalment of grants amounts to 9.2 million euros and includes grants to 16 non-profits. We are also organising a symposium with other European foundations on the role of private foundations in Europe in times of crisis.

Was the process of deciding to launch this programme a difficult one for the foundation?

The unprecedented nature of the crisis made

this decision an obligatory one. The needs are substantial throughout the country and at every level of Greek society and the decision to step up our support by launching this programme was therefore an easy one to make. Once the Board of Directors of the foundation reached this decision, the Programs Departments across our three offices (Athens, New York, and Monte Carlo) began working to identify areas with pressing needs, ways to potentially address them, and organisations that could deliver. The foundation's international status gives us the opportunity to familiarise ourselves with best practices abroad and adapt these to the Greek reality.

What role might matching funds and partnerships play in this initiative?

This is the foundation's initiative. Having said that, we have made clear from the very beginning that one of our goals in taking this step was to inspire and encourage many other organisations and individuals that can and must help to do the same. As a matter of fact, an individual, who wishes to remain anonymous, has declared the intention to donate an additional 205,000 euros to support a number of the organisations that the foundation is supporting as part of this initiative. This is a significant step. Even though the role of the foundation is not to replace but rather to complement state efforts, we are happy that this initiative is helping bring together others capable of helping.

www.SNF.org

Photos above depict youth and arts programmes currently supported by the foundation.

By Angelo Miglietta, Secretary General, and Stefania Coni,
International Project Coordinator, Fondazione CRT



How the crisis has impacted Italy's foundations of banking origin

The story of Italian foundations of banking origin has been one of success since their creation in the early 1990s. Their establishment paved the way for a needed restructuring of the banking system in Italy, and these foundations have greatly strengthened the Italian philanthropic sector. Today, however, the economic-financial crisis has put everyone on the spot, even the foundations, which in the short term must deal with smaller dividends, or even no dividends.

With the foundations being the major shareholders in the banks they are linked to, there has been criticism that they are too dependent on these related banks. This criticism, however, doesn't seem to hold true. Even though a significant part of the proceeds of the foundations – which has varied from 78.5% in 2008 to 35.6% in 2010 – does indeed depend on dividends from the banks, in this current economic climate, even diversifying investments has not been a guarantee of returns for most investors. A particular challenge for foundations of banking origin in Italy is that they are continuously called upon to underwrite significant recapitalisations of their related banks, thus further concentrating their assets there.

The golden era from 1998 to approximately 2008, when the foundations enjoyed significant dividends which enabled them to grant up to 2 billion euros each year, seems to have gone – we hope, of course, only temporarily. But even if the scenarios of economics and finances do not change, the question of the distribution of the assets would still remain. The risk is accentuated by the fact that at times the market value of the foundations' net assets has been significantly less than the bookkeeping data have shown.

While the crisis has had a severe impact on foundations of banking origin, at the same time it has highlighted the foundations' usefulness. Interventions by long-term investors such as these foundations have proven particularly strategic in the country's need to reconcile reducing public debt with stimulating growth, and in increasing investments in infrastructure, research and environmental issues. By not having to answer to shareholders who seek profits and short-term speculative capital gains on financial markets, foundations can suggest long-term programmes to their stakeholders that will produce diluted but certain earnings; carry low risk; and are highly useful for their communities.

In their role as shareholders, these foundations are able to offer an alternative to an exclusively financial vision of investments, and prevent the excessive fragmentation of stockholdings, which is often the cause of loss of control in a company with respect to management and governance. Moreover, they can influence the turnover in members of the governing bodies, thus ensuring

competition among managers. A lack of this kind of competition was one of the main causes leading to the current crisis. Foundations, consequently, are under an obligation – before speaking of rights – to exercise their role as influential shareholders to prevent self-recommendation of managers, with all the negative effects that this has on society.

At the same time, now is perhaps the time to rethink the ways in which foundations of banking origin practice philanthropy. In a developing society, these foundations do not just grant money but they are also incubators of ideas. Support to applicants must be reconsidered, maximising the impact of their investments and prioritising the creation of sustainable models through the combined support of economic resources and entrepreneurial know-how. In this light Fondazione CRT has embraced venture philanthropy, an approach to philanthropy that requires the same level of engagement and attention used in the world of private equity and venture capital (for more information, visit the European Venture Philanthropy Association at www.evpa.eu.com).

Another way to survive the crisis is to strengthen collaborations, seeking even more synergy with Italian and foreign philanthropic entities. Participating in European and international projects, as well as being members of committed philanthropic networks such as the EFC, can take foundations in the right direction.

Philanthropic actions to overcome local difficulties due to the lack of financial resources become "good practice" when they lead to a rethinking of institutional philanthropic strategies. This rethinking should take into consideration all the variables of domestic and international systems, and the actions of the State. Let it be clear – all this does not mean substituting public spending. But pressing for a change in the way in which societies move forward can produce services for welfare through the valorisation of private, non-profit initiatives – or better yet, private, low-profit ones. Looking closely, the same philosophy is the basis for the idea of the Big Society in the UK so dear to David Cameron.

www.fondazionecrt.it



Almost there - Securing Member States' support for the European Foundation Statute

After several years of public consultations, a feasibility study, an impact assessment, and many meetings big and small, the European Commission finally put forward a proposal for a European Foundation Statute on 8 February this year. After tipping our glasses to this long-yearned-for milestone, we quickly turned to face the next phase of making the Statute a legal reality in the EU, namely getting this Commission proposal officially adopted by the European Parliament and ratified by the Member States.

DAFNE (Donors and Foundations Networks in Europe) and the EFC have been working together for several years to make the European foundation a reality. For this next phase, we will be tightening our relationship even more to confront the job that needs to be done at national level.

We could take a pessimistic stance and say, "Now comes the hard part." While there is a lot of truth in this, we shouldn't underestimate the momentum created by the Commission proposal. We need to ride this wave to the governments, media and policy-makers of each Member State and do all we can to get them on board. While the last phase seemed to be long and drawn out, this phase will be short, regardless of the outcome. Simply put, we have a limited timeframe for this one shot to convince national-level governments to ratify this proposal.

A major benefit the Statute would bring is that through just one legally-recognised organisation – the European foundation – foundations would be able to work more effectively across borders. This would cut much of the administrative red tape and significantly reduce costs for foundations that must today set up several legal entities in separate Member States to fulfil their European mission. Companies and cooperatives in Europe already have access to European legal forms allowing them a similar right to establishment.

Moreover, the European Foundation Statute would allow individual donors, existing foundations, associations, public authorities, and companies to set up a European foundation by will or deed, merge existing foundations or convert a national foundation into a European foundation.

In a press statement accompanying the release of the Commission proposal in February, Internal Market Commissioner Michel Barnier said, "We need to support and encourage the valuable work that foundations do for European citizens. In particular, we need to remove the obstacles which hinder their cross-border work on issues such as research, health or culture. The introduction of a European Statute will reduce costs and uncertainty. It will also allow foundations to benefit from more visibility to promote their activity and attract more funding thanks to a European label."

Indeed, bringing recognition to the sector is another of the advantages offered by the Statute, which would provide a European-wide, easily recognisable label through which to benchmark foundations and their work across Europe. On rare occasion, the European foundation community has come under unwarranted media and political scrutiny due to a very few specific cases of the misuse of the legal forms of both private-interest and public-benefit foundations. Despite their infrequency, these very rare cases of misuse blur what is meant by the term "foundation" and have the potential of harming the good standing that the vast majority of foundations deserve and currently enjoy. The Statute would help to ensure that the good reputation of the foundation community remains intact. Much like any business, having clear and comparable branding would also allow foundations across Europe to better communicate and connect with the citizens they serve.

The Statute has already won the backing of the sector through members of the EFC and the 22 national associations of foundations that make up DAFNE. In addition,

"THIS EUROPEAN FOUNDATION STATUTE IS THE VERY EMBODIMENT OF WHAT EUROPE STANDS FOR AND IS CLEARLY A MUST FOR THE FUTURE OF THE EUROPEAN PROJECT."

the Statute secured the support of the European Economic and Social Committee in 2010 and the European Parliament in a recent written declaration. Now we look to the European Parliament to make their support official through a positive vote, and to national governments to adopt the European Foundation Statute before 2014.

This European Foundation Statute is the very embodiment of what Europe stands for and is clearly a must for the future of the European project. To stay competitive, innovative and dynamic in a globalised world, Europe must ensure that the right conditions are met to allow foundations and private donors to freely

channel and pool their resources in order to face issues that have no borders and that require excellence and advancement, such as research, migration and the environment, to name but a few. Together we can bring this Statute to fruition. At a time when the EU as a political entity, and as a concept, is threatened more than it ever has been since its inception, and when walls that have already been torn down threaten to go up again, this Statute represents another needed step on Europe's road to true integration.

www.dafne-online.eu

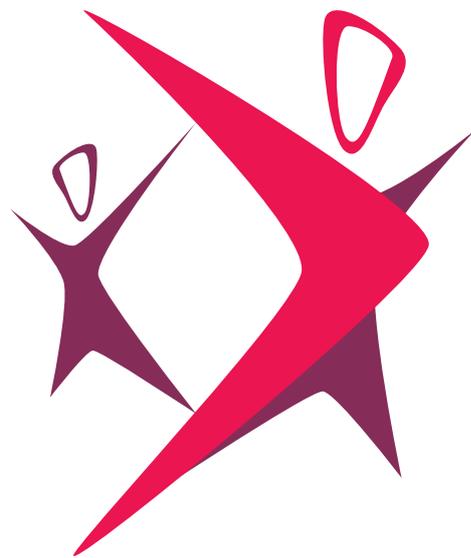
www.efc.be/efs

What foundations can do to make the Statute a reality

- If you haven't yet got in touch with your national-level association of foundations, do so now. Your association is part of DAFNE and as such has the contacts and information needed to help you be a part of pushing this effort forward.
- Your country doesn't have an association of foundations? Get in touch with the EFC and we'll help you identify like-minded foundations in your country who also want to join this effort.
- Learn about the Statute and the benefits it can bring by going to the EFC website for background information, FAQs and illustrative examples of how the Statute would greatly help European foundations working cross-border – www.efc.be/efs
- Contact and convince your members of the European Parliament and your national level parliamentarians and policy-makers to support the Statute.
- Send us your stories and examples of how the Statute would benefit your organisation's cross-border work. We're using these stories at European and national level to show decision-makers the concrete value of this proposed legislation.
- Use the media in your country to publicise these stories and get the word out about the Statute.

www.efc.be/efs

SHARE YOUR STORIES ON THE EUROPEAN YEAR 2012!



European Year for **Active Ageing** and **Solidarity between Generations 2012**

As part of its work on the European Year 2012 the EFC would like to better document and promote the activities of its members in the field of "Active Ageing and Solidarity between Generations".

Foundations have acquired significant knowledge on active ageing and intergenerational activities through making grants to pioneering programmes and projects, funding local organisations, providing services, supporting research, hosting conferences and training activities and much more.

This work needs to be more visible as it can make a significant contribution towards achieving the European Year's objectives to:

- Promote active ageing in employment
- Facilitate active ageing in the community through active citizenship, volunteering and caring
- Promote healthy ageing throughout life as well as independent living
- Promote a society for all ages, and enhance cooperation and solidarity between generations

Are you undertaking initiatives in the field? Would you like:

- To be kept informed of policy developments in Europe?
- To be involved in events and initiatives promoted at EU and national level?
- To let the larger public know about your foundation's goals and initiatives in the field?

CONTACT THE EFC SECRETARIAT AT EU@EFC.BE FOR ALL THE INFORMATION YOU NEED.

Social Business Initiative to give social enterprise a boost

The Commission's new action plan on social entrepreneurship aims to help Europe face its economic and social challenges by finding solutions that combine economic and social well-being. Social enterprises, which do just that, prioritise the community's interests over profit maximisation. This initiative is one of the 12 "growth levers" identified by the Commission in the 2011 Single Market Act. *Effect* talked with Ariane Rodert, Member of the European Economic and Social Committee (EESC), about this new initiative.

Effect: What is the Social Business Initiative about, and how important is it, especially when taking into account the current financial and economic climate?

Ariane Rodert: The Social Business Initiative (SBI) is a framework or action plan launched to create an enabling environment to develop and grow social enterprise and social entrepreneurship in Europe. The SBI was launched by the European Commission last October and includes a description of social enterprise and key actions needed to support the growth of social enterprise in Europe. It is a clear signal that this model must be recognised and valued, and that it has specific characteristics.

Social enterprise, which in our view is a better term than "social business", refers to enterprises that emerge from a primary social aim. Profits (if any) are principally reinvested towards that social aim and not distributed to owners or shareholders, and social enterprises have a special structure and model with features such as democratic and participative governance. They are mainly actors in the social economy but also have specific legal forms in some Member States. The SBI tries to compile key policy areas and improvements of these, which are relevant to social enterprise. It is in our view key to look at social enterprise across policy areas since many areas affect social enterprise such as enterprise, internal market, and social and employment policies.

The focus on social enterprise now during the crisis can be attributed to a few different factors. Social enterprise has a different operating model (majority from the social economy) relative to other actors – one which, despite the harsh economic climate, is doing well. It

creates dual values, both social and economic, which thereby contributes significantly to the EU2020 targets in relation to the key policy areas of growth, employment and social cohesion. It has an excellent track record but also a growth potential which needs to be realised.

This Commission initiative is an important signal – the key is now that Member States support this initiative by developing and implementing similar action plans and supporting measures at Member State level.

With the spotlight on social enterprises, and reforms on the way, is there not a danger here that some existing social enterprises might be asked to carry responsibilities that they are not prepared to take on?

This is a risk which we need to be aware of, especially with diminishing public funding, and it is already happening. It is therefore extremely important that we in this sector are active in the formulation of any reforms or initiatives relative to social enterprises to safeguard our independence and our role in society. We need to be regarded as a stakeholder on equal terms with other actors in an ongoing dialogue about relative initiatives. On the other hand, the focus on social enterprise gives us the opportunity to make visible our unique specificities and characteristics and to show that we need specific initiatives and support that are tailored to these features. In reality social enterprises are already in a situation of carrying on more responsibilities – this needs to be put on the table and discussed.

The EESC Opinion on this matter, which you authored, calls for social enterprises to be on an "equal footing" with all types



of enterprises. Although the Opinion also calls for the special characteristics of social enterprises to be taken into account, does this not still run the risk of a "lowest common denominator" effect?

The key is understanding the differentiating characteristics of a social enterprise compared to for-profit business, i.e. social purpose, reinvesting profits and specific governance structure. These must be fulfilled and be required to therefore separate social enterprises from businesses with CSR programmes. "Equal footing" relates to the need to ensure that social enterprises are considered in policy development on equal terms as other actors. Today we constantly find ourselves having to adapt to programmes or initiatives developed for for-profit business. This has to stop – we need initiatives and programmes suitably developed for us.

It also means that we need to have equal access to things such as public contracts. Public procurement contracts are in many countries developed to suit for-profit businesses better than social enterprises – this has to change. Exclusivity in delivering services exists for social enterprises in some Member States due to tradition and cultural context, but not in all. Competing with other actors is difficult. Therefore the specificities of social enterprises need to be recognised while ensuring equal access. Our aim is rather to ensure that a diversity of models can exist and that we are considered as well in the development of public policy initiatives and programmes and that these programmes also fit our models and specificities.

www.eesc.europa.eu

Is there a need for a special law on foundations in Russia?

Recent discussions about the need for a special law on foundations in Russia is coming from a desire to create a more favourable environment for philanthropic activities in our country, and to understand what we can learn from our own experience and from our colleagues in Europe where the foundation sector has a much longer and richer history. Is the current legislation sufficient for the development of the foundation sector and for the increase of its role in society? What are the institutional conditions and administrative barriers that foundations deal with? Does the current legislation contribute to the consolidation of the foundation sector?

In 2011, after 20 plus years of foundation sector development in Russia, it was time to reflect on the sector's role in civil society. In October of last year, the Russian Donors Forum presented the first "Report on Institutional Philanthropy in Russia". The report was a first and much needed attempt to provide a systematic study of institutional philanthropy in general and of different types of foundations in particular. One of the major conclusions was that there has been a significant growth of the foundation sector in Russia. Foundations are playing a greater role (both in their impact and financial power) in Russian society, increasing their contribution to the development of education and science; arts and culture; health care; and protection of children's rights, among other areas. Having analysed different types of foundations and the existing legal framework, the report also states that Russian foundations encounter various obstacles in their activities.

Today Russia has quite a complicated legal and regulatory environment. Foundations are subject to a series of different laws, including but not limited to the Civic Code; the law on NGOs; the law on charitable organisations and charitable activities; and the law on endowments. Most of the legal norms that regulate the foundation sector in Russia were adopted in the early stages of the sector's development. Significant changes to various federal laws have been made in the last few years in an effort to reflect the evolving nature of the philanthropic activities, roles and capacities of foundations of different types (including community foundations, endowments and fundraising foundations); to reflect new approaches to philanthropy; and to gain an understanding of the public good in the existing legal and regulatory framework. This has further complicated the legal situation.

Therefore, we are now grappling with the question of whether the Russian foundation sector needs a special law on foundations or whether the current legal framework is appropriate, and, if so, should the foundation sector then concentrate on its further improvement through making necessary changes within itself. This issue was reviewed in depth at the international conference "Legislation on Philanthropy: Russian Reforms and the European Experience", organised by the Vladimir Potanin Foundation, the Russian Donors

Forum, CAF Russia and the Public Chamber of the Russian Federation in September 2011.

The experts identified some advantages of having a special law on foundations. The current legislation provides quite a broad definition of a foundation as a philanthropic institution and does not clearly distinguish donor institutions from foundations of other types. The new law could address this issue by separating out donor institutions and giving clear definitions of the other types of foundations. The current legislation is too fragmented and inconsistent. There is a need for a more systematic approach to streamlining foundation sector regulations. The law would simplify foundation registration and reporting and therefore would allow foundations to more efficiently channel funds to public benefit purposes.

At the same time the benefits of having a special law on foundations are not so straightforward, and changes in the legislation may have a negative impact. Overall, the recent legislative changes – including tax benefits for individual donors, public support for socially-oriented organisations, simplification of regulations for foreign foundations operating in Russia, public support for volunteerism and social advertisement development, among others – are very positive for the foundation sector's development. However, there are certain legitimate concerns that the new legislative developments would require protection of what has already been achieved. We would not want to let the progress made in the philanthropic sector get lost in the new legislation. Another concern is that the new law would complicate the legal framework instead of simplifying it. Moreover, it is still unclear whether the foundation sector itself is ready for such a law as the law would limit room for manoeuvre.

Thus, there is no definite answer and no consent on the issue that a special law on foundations is needed for Russia. But there are no doubts that the growing foundation sector needs to have its distinctive voice. The ongoing discussions and analysis are good instruments for self-understanding of the sector's needs, for creating a better regulatory environment, for consolidating the sector, and for further increasing its visibility and role in society.

<http://eng.fund.legein.ru>





View from a German foundation working in Russia

To find out how the debates in Russia on a new foundation law look from the outside, *Effect* interviewed Markus Lux, Head of Section Good Governance and Education at the Robert Bosch Stiftung.

Effect: How does your foundation organise its activities in Russia? How does the collaboration with local NGOs/foundations, as well as with the public administration, work?

Markus Lux: It is important for us to work together with all actors in society, both the public administration and the third sector. An active civil society forms the basis of any functioning democracy. This can, however, only exist when a public administration that strives for good governance and focuses on the needs of the people operates within a wider society whose actors are engaged and exercise both their rights and their responsibilities. It is often NGOs or foundations that take on the role of stimulating the social action required to achieve this. Our aim is to make clear, drawing on the German experience, that the public administration and the third sector should not stand in opposition to one another – such conflict can only damage a nascent civil society. However, the greatest share of the responsibility to prevent such a situation lies, without doubt, with the state.

We take two key approaches to our work: First, the funding of so-called “lighthouse projects”, which can showcase exemplary solutions to particular challenges; and second, the targeted funding of individuals, from school pupils and students to social policy makers using traditional instruments, from scholarship programmes, meetings, and training, to high-level discussion fora. To implement this, we seek as far as possible to engage local partners, with whom we can develop long-term relationships. Details of the collaboration are put in place only once a basis of mutual trust has been established – thus far our partnerships have been largely problem-free.

In 2008 there were major changes in the Russian laws regarding foreign NGOs’ reg-

istration and reporting in the country. What impact did this have on foreign foundations’ operations there, and the Robert Bosch Stiftung’s in particular?

It seems that the legislative changes of 2008 were a factor in the withdrawal of some foreign foundations from Russia. The Robert Bosch Stiftung is, however, largely unaffected by the changes, since it is neither registered in Russia, nor maintains an office there. Nonetheless, we are very much aware of certain restrictive measures faced when operating in Russia, e.g. when it comes to the granting of visas or residency permits for our German scholars.

We should not, however, forget that some barriers exist in both directions and that for example a simplification of the visa application process for Russian students coming to Germany still meets with significant opposition.

Now the civil society sector in Russia is hoping to simplify some of these rules and maybe even roll some of the changes back. If this happened, how would it affect foreign foundations’ attitudes towards working in Russia?

The removal of bureaucratic hurdles and the simplification of procedures would certainly have a positive impact. In my opinion, it is however much more important that public administrations seek to create a friendly environment for foreign funders, e.g. by not presuming that all foreign foundations or civil society organisations have missionary or even revolutionary aims. If philanthropic institutions are under general suspicion, as can frequently be observed during electoral campaigns, their work becomes less effective.

Several foreign donors/foundations withdrew their activities in Russia? Why is the Robert Bosch Stiftung still there, and do you plan to stay in Russia?

Fostering understanding between Germany and Russia is one of the main objectives of our foundation, and no change to this strategy is envisaged for the foreseeable future. I very much doubt that a withdrawal or the abandoning of our commitments in Russia would do anything to mitigate the difficulties faced by foundations there, and could even contribute to an increase in pressure on the sector. A withdrawal would lead to the breakdown of dialogue, which would in turn imply the ineffectiveness of our work. We do however have a clear responsibility to our colleagues, grantees, partners and also the responsibility to ensure that our funds are used effectively for their purpose. If these things are ever at risk, we must act accordingly.

How important is the presence of foreign foundations and NGOs in Russia? What impact are they having on society there?

A very difficult question to answer, and one not just about Russia – this is a question concerning the measurability of impact, the question as to how we can evaluate our projects. Exchange with foreign countries is in principle a good thing, as is the presence in a country of foreign institutions and funders, whether through offices, fellows, or projects. This is particularly relevant for Russia – a society in such a large country, and one that finds itself still in a period of transition, is generally more inclined to look inwards. Therefore, every foreign contact, each collaboration, is an enrichment that brings fresh perspectives, which in turn stimulate a deeper reflection on one’s self and one’s actions. By the use of faith in and funds to members and institutions of civil society we not only encourage them but also support them in their dialogue with the state.

www.bosch-stiftung.de



VAT reform and what it means for foundations

As is well known, in December 2010, the European Commission launched a public and wide consultation on the Green Paper on "The future of VAT – Towards a simpler, more robust and efficient VAT system". A few months later, a report undertaken by Copenhagen Economics for the Commission's Taxation and Customs Union Directorate-General on "VAT in the Public Sector and Exemptions in the Public Interest" was published. This indicated that a critical review was needed of existing rules on VAT treatment for public bodies and existing exemptions for certain activities in the public interest.

ECCVAT (The European Charities' Committee on VAT), DAFNE (Donors and Foundations Networks in Europe), the EFC, and some other national umbrella organisations, such as the Spanish Association of Foundations, emphasised the following points in a joint response to the Commission's consultation:

- A series of improvements should continue to be made to simplify the VAT system and to make it fairer, particularly with regard to irrevocable VAT costs that public benefit foundations and charities face.
- As the consultation process progresses, the sector is urging the Commission to give serious consideration to the unique position of public benefit foundations and charities as they had been effectively ignored in the Green Paper's analysis of the VAT system.
- The consultation document made a number of references to the removal of exemptions, without considering the impact such a move could have on these entities and their beneficiaries. Sector bodies do not support the complete abolition of the current system of exemptions and the introduction of a full taxation model, particularly if such a development were to threaten social exemptions. Such a move could only be considered if it was optional and coupled with reduced output rates.

In summary, the unified message from the sector was that the position of non-profit making organisations and the specific problems they face in the VAT system had not been considered. In particular, the position of grantmaking and fundraising organisations that do not engage in business activities needed to be given serious consideration before any removal of the social exemptions was envisaged.

In December 2011, the Commission published its Communication on "The Future of VAT", which recognised the concern across Europe regarding the burdens that the existing VAT treatment places on non-profit-making organisations. Despite this, no new Europe-wide solutions were proposed by the Commission to address these inequalities. Instead the Commission recommended that Member States introduce targeted compensation mechanisms, outside the VAT system, to alleviate the cost of VAT to non-profit-making organisations on their acquisitions. The recognition of this refund mechanism, which has been implemented in a number of countries, was welcome. However it seems unrealistic that Member States will implement such

a proposal in the current economic climate and demonstrates that the Commission wants this issue to be resolved at the national level and that the interests of the sector are therefore not high on its list of priorities. Without effective enforcement mechanisms it is unlikely that these proposals will succeed, missing the opportunity to address this fundamental issue at a European level.

It is also necessary to analyse the Commission's Communication as a whole, given the indications that existing exemptions and reduced rates will be reviewed as part of a wider attempt to broaden the tax base. Unfortunately, it appears that none of the solutions proposed by the sector to alleviate the VAT on the side of the inputs are currently being considered. As the EFC has stated, "Current proposals do not worsen the situation of foundations, but the EFC and its members must remain vigilant in the coming months about the possible review of current reduced rates and exemptions granted to non-profit organisations and public bodies."

So, what should we expect in the near future and what action should we be taking at this stage of the consultation process? It is very important that all foundations and charities continue to work closely together to present a unified message. A public consultation by the Commission on VAT rates is anticipated while an impact assessment on proposals outlined by the Communication is expected later in 2012. Further to this, Copenhagen Economics will again be looking at the tax treatment of public bodies and the viability of the solutions outlined in their paper last year. For the EFC and its partners to make a meaningful contribution to these studies it is crucial that data are collected about the anticipated cost for charities and public benefit foundations of the different proposals outlined in the Communication and more generally a potential future full taxation model.

Decisions made on the future of the VAT system go beyond the financial consequences for our organisations, as they will affect the resources available for our philanthropic activities. This reminds us why this issue is so important and why we must continue to be actively involved in this consultation process.

www.fundaciones.org

By Brian Kearney-Grieve, Programme Executive, Reconciliation and Human Rights, The Atlantic Philanthropies



Foundations' role in the journey of people with disabilities from charitable objects to included citizens

Disability is something that will affect most people on a temporary or permanent basis, directly or indirectly, at some stage in their life, and it cuts across all ages and socio-economic groups. However, it is an area often not considered or included by foundations and other funders in their programmatic areas or issues. It doesn't have to be this way.

According to the World Health Organization (WHO), there are an estimated 1 billion people living with some form of disability in the world, with 80 percent in developing countries. As such, people with disabilities are possibly the largest minority group in the world. These numbers are likely to rise in the years ahead due to the higher incidents of disability in ageing populations, increases in chronic health conditions, injuries caused through conflict and other causes often related to poverty. People with

than their capabilities. These societal attitudes and a dominant medical approach result in many people with disabilities not having access to the supports and services required to lead lives with dignity and respect. As a result they are denied the opportunity or recognition for the contribution they do and can make in the communities in which they live.

THE OPPORTUNITY FOR CHANGE

In a historic first, the EU ratified the new United Nations Convention on the Rights of Persons with Disabilities (UN CRPD) in 2010. This is important as it recognises, first of all, that persons with disabilities are entitled to the same rights as others. The Convention provides us with a new way to start thinking about the normality of impairments across the life course and challenge the way society disables people – a point strongly emphasised by the recent WHO World Report on Disability. It does not create new or special rights for people with

"...THE CONVENTION... REVERSES THE PHILOSOPHY OF DEFICITS AND PLACES THE EMPHASIS ON THE CAPACITIES OF PERSONS WITH DISABILITIES."

disabilities are also arguably one of the most invisible and voiceless groups in societies. Often the poorest of the poor, they are dependent on social welfare if it even exists where they live and is not being subject to disproportionate spending cuts. They have limited or no access to basic services such as health, education, transport, employment and information that many of us take for granted.

Socially, people with disabilities are seen as being worthy recipients of our charity, defined by their limitations rather

disabilities but clarifies existing rights that all people enjoy in the context of disability, thereby addressing the issue of denial of rights and equal justice.

The rights in the Convention address the real challenges faced by persons with disabilities. It rightly provides full legal capacity to persons with disabilities to make decisions for themselves and in so doing reverses the philosophy of deficits and places the emphasis on the capacities of persons with disabilities. It also requires the active involvement of persons with dis-

abilities in the formulation and review of policy that affects them. When the right people are at the table the right decisions tend to be made. This is a major advance as a big problem has been that persons with disabilities were generally absent from debates that concerned them. The Convention itself benefited enormously from the unprecedented involvement of persons with disabilities and their civil society groups at the drafting table.

By ratifying the Convention the EU has set itself the challenge of adapting existing laws, programmes and instruments (such as Structural Funds) to conform to the Convention and to ensure that future measures similarly comply. How this can be achieved is set out in the European Commission Disability Strategy 2010-2020. Similarly, 19 out of 27 Member States have thus far ratified the Convention and face similar challenges to ensure compliance. This is not a simple task but will require smart initiatives that inform the way in which supports and services are transformed in times of economic austerity. While this is undoubtedly a major challenge, it is also, paradoxically, a major opportunity for reform in an area dominated by the strong vested interests of traditional service providers and healthcare professionals.

WHAT MIGHT FOUNDATIONS CONSIDER DOING?

Eight European foundations are part of the European Consortium of Foundations on Human Rights and Disability, which aims to bring together funders to breathe life and vigour into the implementation of the Convention. We wish to make a distinctive contribution and to mobilise the foundation sector to play a catalytic role to ensure that European governments and other relevant stakeholders commit to and support both ratification and implementation of the Convention.

What we have seen is that foundations and other funders generally do not include disabilities in their programming. This may be a result of a number of different factors ranging from concerns as to whether it is possible to have an impact in the area, an impression that funding is not required as this is a well-funded area, to not knowing where to begin and whom to support. Whatever the reason, there are a number of things that foundations might consider doing themselves or asking others to do that will make a difference in the lives of persons with disabilities.

A few examples of what foundations can do include:

- If funding capital projects, websites or social media projects, requiring that these are accessible and providing the resources to enable this. Are our own websites accessible? At The Atlantic Philanthropies, when we redesigned our website in 2010 we made sure that it would be 100% accessible and consulted with a grantee who is a disability advocate to improve our offerings. Additionally, we close caption all of our videos on YouTube.
- As part of the proposal and due diligence process, requiring or encouraging those that we fund to consider how they might include people with disabilities in their work. This may be as simple as ensuring that products are produced in an accessible format or having someone provide sign language at a public event.
- Applying a disability lens to programmatic work. Are persons with disabilities considered one of the beneficiary or target groups of a specific programme – be it in health, education, employment, ageing, children, migration, detention or torture, etc.? If not, is this a conscious decision or something that has not been considered?
- Encouraging the development and adaptation of new technologies which facilitate independence and access.
- Supporting models aimed at developing more inclusive development aid programmes as required by the Convention and support efforts aimed at encouraging national governments to ratify the Convention and meet their obligations.

There exists a real opportunity to enable people with disabilities to take control over their own lives. Foundations can play a critical role in bringing together and providing essential resources to support service providers, service users, and service commissioners in the process of re-imagining and transforming services and how they are funded.

For more information and examples of work that foundations are supporting in this area please visit: www.nuigalway/cdlp, www.genio.ie, and www.disabilityaction.org

www.efc.be/DIG/consortium

www.atlanticphilanthropies.org



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Effect interviewed Novella Pellegrini, Secretary General of Enel Cuore Onlus, to find out more about the foundation's award-winning partnership programme that transforms rail stations in Italy into homeless shelters.

Un Cuore in Stazione - A public-private partnership

Effect: How did this partnership between your foundation and the state rail system develop?

Novella Pellegrini: Our idea of implementing a national project aimed at improving the lives of marginalised people living in and around Italy's main railway stations by providing them specialised services such as healthcare; counselling; legal, social and professional rehabilitation services; and so on, fully met the need of Ferrovie dello Stato (the state rail system) to increase and ensure security in railway stations. We were well aware that train stations play a significant symbolic role, that of a "non-place" that attracts "non-people" who have no visibility or social role. The solution presupposed having empty spaces available, run by community-based organisations, to accommodate marginalised people – and that's where Ferrovie dello Stato came in.

Ferrovie dello Stato offered a number of premises it owned, located in or near major train stations across the country, an invaluable contribution for the fulfilment of our philanthropic project. Public-private partnerships can add value beyond what either party could achieve acting alone, and Un Cuore in Stazione is the evidence for this and is a model of "catalysing resources" – during these three years we have involved in the project other big Italian players such as Fondazione Cariplo, which made a very important contribution to realising the Ostello Caritas in Milan, one of the project's sites.

What were some of the challenges you faced when implementing this?

When we started working on the project we knew that the presence of marginalised people in train stations was and is still considered an issue in terms of social policies. So the need to set out a common strategy with our partners to obtain efficient and effective results in terms of solidarity actions has always been our priority. The implementation of Un Cuore in Stazione has involved many different actors (Enel Cuore, Ferrovie dello Stato and at least 15 community-based organisations in charge of managing the different facilities for the homeless people). Even though many heads are (usually) better than one, and decisions taken after group consultation are often the most well-grounded in reason and are most likely to result in the best possible outcome, putting together people coming from different sectors – each one of them experts in their own field – and, at the same time, achieving the best possible results, was definitely challenging for us.

Was the project well-received by the public? Has there been a noticeable improvement in the stations since the project began?

I would definitely say so, and we are very proud of the goals achieved, first of all looking at the messages and the attention we received from local institutions and citizens – thanks to our intervention now most of the organisations are improving their network of partners (public, private and volunteering). On the whole I would say that the presence of social support services facilities and operators in the stations staffed with people who are also trained to handle the most problematic situations has contributed to an incredible reduction in the negative impact of the phenomenon of homelessness.



The train station in Milan is part of the project Un Cuore in Stazione, a partnership of Enel Cuore, Fondazione Cariplo, Ferrovie dello Stato and Caritas Ambrosiana.

Do you think more cities in Italy, and elsewhere, could or should replicate this kind of project?

In 2008 we started out with funding a new day centre in Rome's central railway station, and by the end of 2011, Un Cuore in Stazione had given life to day centres, help centres and night shelters in 11 other cities across the country. Considering the social impact that the project has had in Italy, we are exploring the possibilities of exporting Un Cuore in Stazione to other countries, and we are particularly interested in eastern European countries.

How will these results be sustained in the future?

Sustainability for us means that all of our work has a long-term value for the communities in which we operate. This means having needed services become a permanent part of the community's services and, above all, driving the community toward a concept of a "culture of sustainability". This involves guaranteeing continuity and efficiency of the services, and, most of all, fostering a philosophy of participation at different levels – emotional, environmental and relational. In fulfilling our philanthropic activities we choose our partners only if we are sure that they can guarantee these criteria, and I am quite confident in saying that Un Cuore in Stazione definitely represents an excellent model of sustainability.

www.enel.com/enelcuore

Enel Cuore Onlus fondazione cariplo FERROVIE ITALIANE

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Making sense of impact analysis

Social impact analysis is not a sexy topic. Yet it has gained increasing profile in the past few months. In the UK, the Social Value Bill is going through the House of Lords and is a few steps away from passing into law. Non-profit organisations, foundations and socially responsible businesses are now under increasing pressure to demonstrate their value for money to funders, stakeholders and the wider public as available funding diminishes. There is also a growing buzz around the idea of impact investing, underpinned by interest in the social impact bonds pioneered in the UK and by initiatives such as the Global Impact Investing Rating System (GIIRS).

Despite all of this, the practice of social impact analysis remains obscure. The emergence of numerous new methodologies and approaches – often complex and laden with jargon – and the fact that social impact expertise and skills remain scattered across a wide range of sectors, makes it difficult to agree a common set of standards for reporting or assessment among practitioners themselves. There are few opportunities for sharing knowledge and information about how best to conduct social impact analysis, or how to put the results to use within an organisation. And social impact analysis as a profession remains little known, unregulated and unsupported.

For funders and charities seeking to assess their impact for the first time, the lack of standards, compounded by the lack of guidance available to them, makes it incredibly difficult to find a social impact analyst, establish their credibility, and choose a suitable methodology. This is why the Social Impact Analysts Association (SIAA) has been created. SIAA is an international

professional body that supports and connects social impact analysts. SIAA's purpose is to help share and improve knowledge of social impact analysis internationally and across different policy areas by helping our members learn from one another. The organisation has been established by a consortium of funders including the Adessium Foundation in the Netherlands, Bertelsmann Stiftung in Germany, New Philanthropy Capital in the UK and PricewaterhouseCoopers, Germany.

We launched SIAA at an “unconference” in December 2011, whose agenda was set on the day by our delegates, a majority of whom

are now SIAA members. The day ran as a series of open-ended workshops in which delegates identified the most pressing problems we face in practicing social impact analysis; discussed how SIAA and others can help address these issues, for instance through working groups, bespoke research or partnerships working between existing initiatives; and committed to working towards these solutions together. We wanted to create a setting in which our members and other thought leaders on social impact could genuinely interact with others and shape the agenda, both on the day and for SIAA going forward.

Our members are the real brains behind SIAA. They are the ones with the experience and expertise to define what good practice of social impact analysis looks like, internationally and across different sectors. At the launch, our members told us they wanted more networking opportunities, a chance to exchange knowledge with other professionals in this field, and to learn from developments in different sub-sectors and different countries. A large majority told us they wanted SIAA to represent them as social impact analysts.

Since then, SIAA's focus has been on engaging with members and developing the practical, professional support they need, as well as raising awareness of social impact analysis, its benefits and limitations. We are working with our growing membership of 120 individuals and organisations – ranging from charities, university departments and third-sector support bodies to grantmakers and large corporations – to expand the conversation about social impact analysis internationally.

Of particular interest to foundations are the networking and outreach events SIAA is holding with the ESSL Foundation in Vienna, the Erasmus Centre for Strategic Philanthropy in Rotterdam, and Philanthropy Ireland in Dublin in the coming months. All of these events will explore the implications of the impact agenda for these different contexts and for foundations, which are now facing chal-



© Dominick Tyler
Participants at the SIAA launch event, December 2011.

lenges from national governments and the public about their role in public life and are increasingly looking to social impact as a means of assessing the value of their investments.

Going forward, SIAA will help support the professional development of its members via networking online and through events; by creating working groups and other discussion forums to encourage members to share knowledge and information; and in the longer term by creating opportunities for training and certification. SIAA will also tackle the challenge of creating a

common language for impact analysis, from principles and guidelines to accepted standards for measurement, analysis and reporting. We have already created a working group on principles to see what gaps currently exist, and help to fill them. We hope in this way to provide information that is useful not just to impact practitioners, but also to the funders and donors commissioning the work.

www.siaassociation.org

Global Philanthropy Leadership Initiative

The Global Philanthropy Leadership Initiative (GPLI) Task Force has now entered the final phase of its two-year mandate and is gearing up to present the fruits of a challenging and inspiring process with the wider foundation sector in the coming months. Convened jointly by the Council on Foundations, the EFC and WINGS (Worldwide Initiatives for Grantmaker Support), and co-chaired by Fundação Calouste Gulbenkian and the Charles Stewart Mott Foundation, GPLI focuses on incubation of collaborative action in three areas that have been identified by the Task Force as being of strategic long-term importance for advancing the growth and role of philanthropy in a global context:

1. Advancing the regulatory environment for cross-border philanthropy.
2. Catalysing new forms of philanthropic collaboration in a global context.
3. Strengthening cooperation with multilateral organisations and governments around global issues and the development agenda.

The GPLI Task Force was created in autumn 2010 when a group of some 30 philanthropic leaders representing foundations from different parts of the world engaged in this bold experiment. Here is a preview of actions GPLI is developing in response to the three challenges above:

- Designing a pilot index on cross-border philanthropy – a benchmarking instrument that aims to collect, analyse and disseminate comparative data on countries' legal and fiscal requirements affecting philanthropy across borders. The index will be guided by a framework for advancing a favourable environment for cross-border philanthropy.
- Testing new ways of working together by incubating collaborative initiatives in two areas that require a global take, while ensuring that actions are deeply connected with and grounded in local realities – one focusing on investing in sustainable cities and urban futures, and the other on supporting transitions to democracy in North Africa and the Middle East. The collaborative "roadmaps" currently under development will be presented at the EFC annual conference in Belfast, with an invitation for other foundations to get involved in further shaping and implementing these.
- Developing a framing paper aimed at deepening dialogue and cooperation among foundations, multilateral organisations and governments around global issues and the development agenda.
- Updating the Principles of Accountability for International Philanthropy, first published in 2007 by the EFC and the Council. A key objective is to ensure that the updated document incorporates perspectives from philanthropic organisations in the Global South and addresses critical issues not yet covered, such as exits.

These GPLI initiatives will be launched into the broader philanthropic community at the Council's and EFC's annual meetings in 2012, as well as through the WINGS network, and will be open to participation and input by interested foundations.

Interested in knowing more or getting involved?

Contact Sevdalina Rukanova and Jeannette Cook at the EFC, or go to: www.efc.be/gpli

The Zero Project Report 2012

International Study on the Implementation of the UN Convention on the Rights of Persons with Disabilities

This publication is a written summary of the research and findings of the Essl Foundation's Zero Project, which advocates, with a new and innovative approach, the rights of persons with disabilities internationally. Among other things, the report outlines the results of a survey of 35 countries on a range of social indicators relating to the rights of persons with disabilities. The mission of the Zero Project is: "working for a world with zero barriers". The project is based on the "Essl Social Index Pilot Study" which was published in 2010. The results of the pilot study, and the experiences gained in its development, have led to expansion into other fields. The Zero Project creates platforms for sharing and developing models that clearly improve the daily lives, and legal rights, of persons with disabilities. The project will publish reports on a regular basis.

Michael Fembek, Tom Butcher, Ingrid Heindorf and Caroline Wallner-Mikl; Essl Foundation 2011, 194 pages.

www.zeroproject.org



Family Foundation Giving Trends 2011

Top UK family foundations donated £1.3 billion in 2010, a slight fall on the previous year, though assets picked up by 8%. Family giving through foundations grew by a real 27% between 2005/06 and 2009/10, a result showing that giving by foundations was more robust in times of economic uncertainty than that by corporates or the general public. This report, the fourth in an annual series produced by Pears Foundation with the Centre for Giving and Philanthropy, includes charitable trusts funded through family wealth, whether or not the family is still on the board. With growing pressure on philanthropy to help address social needs today, the report profiles how eight individuals and families came to set up philanthropic foundations. It has an increasingly European and international character with the inclusion of Rothschild Foundation (Europe), and A.M. Qattan and Khodorkovsky Foundations, alongside the Scottish-based Wood Family Trust and Children's Investment Fund Foundation.

Cathy Pharoah with Charles Keidan and Gillian Gordon; Alliance Publishing Trust 2011, Copyright © 2011 ESRC Research Centre for Charitable Giving and Philanthropy, Cass Business School, 71 pages.

www.pearsfoundation.org.uk/#36/philanthropy

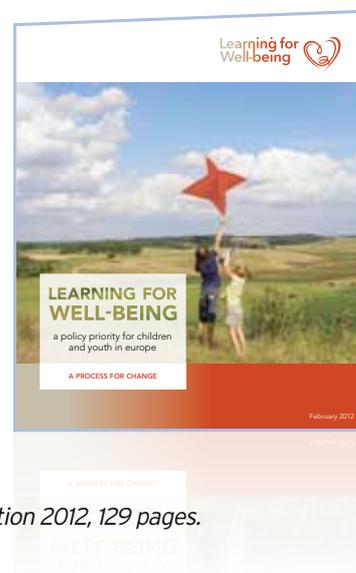
Learning for Well-being

A Policy Priority for Children and Youth in Europe. A process for change

In the wake of the financial crisis, new stimulus has been given to the challenge of formulating policies that move beyond economic imperatives and aim to increase Well-being for All. This policy glossary, commissioned by the Learning for Well-being Consortium of Foundations in Europe, aims to provide a conceptual understanding, and a vision of possibilities, for those in Europe who are responsible for creating and impacting policy. To ensure that this policy glossary integrated state-of-the-art research and policy, consultations took place with experts from the OECD, the Council of Europe, and the EU as well as with foundations, youth organisations, and governmental and non-governmental organisations across the fields of education, health, social affairs, children's rights, media, ICT, family, and others. The glossary was designed to provide the basis for a common conceptual understanding for policy-makers at all levels in Europe. Its development and launch were supported by Calouste Gulbenkian Foundation, Evens Foundation, Guerrand-Hermès Foundation for Peace, Robert Bosch Stiftung and Universal Education Foundation.

Ilona Kickbusch, with the collaboration of Jean Gordon & Linda O'Toole; Universal Education Foundation 2012, 129 pages.

www.eiesp.org/site/pages/view/60-learning-for-well-being-consortium.html



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For philanthropy and social investment worldwide

FOCUS ON . . .

Resilience Investing

Guest editors: Alejandro Litovsky and Dana Lanza

Includes interviews with Major General Muniruzzaman, Arnold Schwarzenegger and Kristian Parker

PLUS

Do foundations take enough risks, asks Lisa Jordan
How will venture philanthropy fare in Asia?



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Alliance magazine - March 2012

Focus on... Resilience investing

With the 20th anniversary of the first Earth Summit in Rio de Janeiro approaching, this *Alliance* special feature, guest edited by Alejandro Litovsky of the Earth Security Initiative, argues that philanthropists and impact investors must begin to think about how to respond to the crisis of ecological limits that humanity faces. This includes supporting new business models to scale, helping to shift basic economic and political fundamentals, and boosting the resilience of oceans, rivers, forests and fertile soils.

This issue of *Alliance* features interviews with Major General Muniruzzaman of the Bangladesh Institute of Peace and Security Studies on the security impacts of climate change; Arnold Schwarzenegger, former Governor of California and now founder of R20 Regions of Climate Action, a coalition of regional governments determined to take action on climate change now; and Kristian Parker, chair of the Oak Foundation, one of Europe's largest and most strategic environmental funders. It also includes a wide range of articles and viewpoints, including Sergio Oceransky's account of a new impact investing model for renewable energy in Mexico where communities are the owners of the capital; Sonja Swift of Swift Foundation, a next generation philanthropist, calling for the full engagement of foundations' endowments; Ben Caldecott of Climate Change Capital talking about two new innovations in climate finance; and Mihir Bhatt from India arguing that micro-insurance for vulnerable communities is the way to think about climate risk preparedness.

Also included in the March issue of *Alliance*: Barry Knight writes about a new generation of community philanthropy initiatives, Lisa Jordan encourages us to be less frightened of failure, and we speak to the founders of the Asian Venture Philanthropy Network, plus further opinion, news, letters, conference reports and book reviews.

www.alliancemagazine.org

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