

COMMUNITY FOUNDATIONS IN LATIN AMERICA

Can the concept be adapted?

Andrés Thompson

Based on the success of the US experience, the community foundation approach has been advocated internationally in recent years as a valuable way of dealing with local problems, while providing a space for community representation and involvement and securing regular funding for local programmes. The concept has been taken up in several other countries, notably in Canada and Europe, but is the 'true' community foundation – by which I mean an organization that has both a grantmaking capacity and community responsiveness – a viable option in the very different circumstances of Latin America and the Caribbean?



Andrés A Thompson is Program Director for Latin America and the Caribbean, W K Kellogg Foundation, São Paulo, Brazil. He can be contacted at andres.thompson@wkkf.org

It is hard to find a definition that fits all the different experiences around the world that go by the name of community foundation. The landmark report by Eleanor Sacks¹ reflects very well the variety of approaches and definitions stemming from their various cultural and historic roots. However, I would identify two main approaches to the community foundation concept: the 'money' approach and the 'community' approach.

The 'money' approach

This goes back to the first community foundation in Cleveland, Ohio, 1914, the impulse for the establishment of which was more the desire to channel funds from the banks than for an institutional response to the community's needs. Capturing money from the wealthy to distribute to local charities and non-profits has since then been one of the driving forces behind US community foundations, facilitated by favourable tax legislation.² Those who see community foundations in these terms are mostly concerned with:

- ▶ raising endowed funds;
- ▶ investing the foundation's assets and monitoring its portfolio return;
- ▶ raising as much in unrestricted funds as possible (as opposed to donor-advised, field of interest or designated funds);
- ▶ engaging professional advisers (marketing, financial, lawyers) as partners who can help identify potential wealthy donors;
- ▶ advising donors on how to invest their money;
- ▶ appointing trustees with influence in the richest segments of local society;

- ▶ devising an effective grantmaking portfolio;
- ▶ devising an exit strategy for international donors and taking responsibility for sustainability of their investments;
- ▶ competing for philanthropic dollars with financial corporations such as Fidelity and Vanguard;
- ▶ tapping diaspora funds, when appropriate;³
- ▶ accountability and transparency in the use of funds.

The 'community' approach

This is the other side of the coin, although most of the literature on community foundations does not refer very much to their success in addressing or solving the most acute community needs. For most of the community foundation practitioners who see their potential for addressing the community's problems, the major concerns are:

- ▶ building community capacity;⁴
- ▶ responsiveness to community needs;
- ▶ leadership as a means of facilitating community problem-solving;
- ▶ board formation that reflects (without necessarily representing) diverse community interests;
- ▶ building on community assets and building social capital;
- ▶ promoting community or people's philanthropy;
- ▶ strengthening the local non-profit sector;
- ▶ accountability and transparency in the use of funds.

These two sets of issues are at the core of the development of community foundations in the US and elsewhere. In the US it seems that the money approach prevails, while the opposite can be said of Canada or Europe. The next section will explore whether it is possible to create 'true' community foundations in Latin America and the Caribbean.⁵

Can community foundations succeed in Latin America?

During the last four years the W K Kellogg Foundation has been supporting cluster projects in selected micro-regions of Latin America and the Caribbean based on a comprehensive strategy to break the vicious cycle of poverty and with a strong emphasis on the role of youth. More than 20 of these are currently under way. Crucial to all of them is the involvement of institutions engaged in local development efforts, including local and federal government agencies, business organizations, NGOs, youth groups, universities, churches and grassroots organizations. ▶

Can the concept be adapted?

Once the alliances have overcome the initial difficulty of achieving consensus and organization, the question of institutionalization and long-term sustainability arises. They need to find legitimate and stable mechanisms to manage themselves autonomously and secure a regular flow of funds while dealing with the many pressures of the external environment. Though initial funding from one source (in this case, the Kellogg Foundation) may be a good incentive for local mobilization, the leading institutions are all aware that to continue promoting and supporting a varied set of local initiatives, new forms of stable and long-term funding need to be secured.

From my researches, it is clear to me that although community foundations have been successful in the US, Canada and some parts of Europe, there is no one 'model' that can be exported. Every community foundation differs from the rest.

But what about the concept? The general concept of a democratic, non-profit, community-oriented institution that collects money from within and from outside the community and redistributes it in the interests of that community is a very attractive one, both as an exit strategy for external donors and for resource mobilization within communities. Several cases from the developing world demonstrate the feasibility of the approach. But what would make them viable in a totally different context like the North-east of Brazil, a region characterized by high levels of poverty and inequality, weak institutions, state interference in all social fields, and a tradition of clientism and upper-class patronage? Let me indicate some of the crucial variables that need to be considered.

Time

It has been said that community foundations take a long time to become effective. The community foundation movement in the US started more than 80 years ago, yet community foundations only became visible during the last decade. Most of the institutional alliances and partnerships operating with Kellogg Foundation support in Latin America and the Caribbean are quite new, mostly no older than three years. They are still in the process of building trust among the various partners and defining the scope of their action, governance and modes of operation. They have secured funding for an average of three years and their financial future is still uncertain. If these processes continue at the same pace and a genuine attempt is made to involve the communities, it will take at least two more years to build a participatory design

1 Eleanor Sacks (2005) *Community Foundation Global Status Report WINGS*.

2 'Policy decisions are the single biggest reason why more than 400 community foundations are thriving today in the US.' Elan Garonzik (1999) in *Community Foundations in Civil Society* Bertelsmann Foundation Publishers, Gütersloh, Germany, p18.

3 Remittances have for long been of interest for the philanthropic community. In some Latin American countries such as Mexico, El Salvador or Guatemala, the remittances from migrants in the US represent a large portion of their GDP.

4 Steven E Mayer ((1994) *Building Community Capacity. The potential of community foundations* Rainbow Research Inc, Minneapolis, p3) defines community capacity as 'the combined influence of a community's commitment, resources and skills [my italics] which can be deployed to build on community strengths and address community problems'. According to Monica Patten, CEO of Community Foundations of Canada, 'At the end of the day we are about building resilience in communities.' Lecture delivered at CUNY Graduate Center, 31 October 2005.

5 From my standpoint, a number of organizations are not true community foundations since one of the two key factors (see definition in the opening paragraph) that would make them so is absent.

6 National Committee for Responsive Philanthropy (1994) *Community foundations and the disenfranchised* Washington DC. See also Robert O Bothwell, 'Are they worthy of the name? A critic's view', in Richard Magat (ed) (1989) *An agile servant. Community leadership by community foundations* Foundation Center, New York.

7 Suzanne Feurt (1999) in *Community Foundations in Civil Society* Bertelsmann Foundation Publishers, Gütersloh, Germany, p26.

for a community foundation. Given the urgent needs facing these impoverished communities, complementary mechanisms and funding to provide support to community-based groups and local non-profit institutions should be sought, serving as a learning exercise for the future community foundation.

Legal and tax incentives

If it is true that the 1969 Tax Reform Act was a key instrument for the development of community foundations in the US, it is unlikely that a similar legal arrangement will happen in Latin America in the short term. In several countries of the region, the tax systems are so weak that they cannot collect such taxes as are due. Levels of evasion are high, and the large informal economy completely escapes scrutiny. Emerging community alliances cannot expect much from reforms in the tax and legal systems. They will not help them to build assets nor even to raise small contributions from taxpayers.

Wealth

A great incentive for the creation of community foundations in the US, Canada and the UK has been the desire to capture the wealth of the community in an organized way in order to redistribute it to address community needs. In communities where there is little or no money or financial assets, a primary role of community foundations will be to identify and support means of wealth creation through, for instance, basic undertakings to help poor families earn an income. Thus, the notion of wealth in developing countries should be thought of not just in terms of economic or financial assets but also in terms of social and human capital.

Responsiveness to community

The attempts to create community foundations in developing countries face the enormous pressure of addressing the urgent needs of communities. Poverty, exclusion, inequality and absence of citizenship rights are among the challenges facing every community where the Kellogg Foundation's programme is being implemented. There is little evidence that community foundations have done much to address them. One of the few assessments on this issue in the US is quite discouraging.⁶ It is evident that the mere fact of a community foundation's existence does not guarantee that it will perform according to expectations.

Resource mobilization and capacity-building

Under conditions of poverty and deprivation, prevalence should be given to the community approach over

the money approach. According to this, the primary aim of a community foundation should be to build community assets and not the foundation's assets.

Leadership role

According to Suzanne Feurt: 'A community foundation provides leadership on pervasive community problems by serving as a facilitator, convener, catalyst and broker. As a neutral body, it can facilitate joint action with other foundations, stimulate public-private partnerships, and bring local projects to the attention of national and international grantmakers.'⁷ The examples of community alliances that are being developed with Kellogg support are taking on this leadership role in various respects: enlarging and expanding the initial alliance by involving new institutions, in particular from business and government; articulating a shared vision for the community's future well-being; designing strategies to involve youth in the process; learning and sharing knowledge about the territory in which they operate, and attracting new resources to the community.

Strategic grantmaking and the culture of giving

There appears to be a virtuous cycle between the grant-making strategy of a community foundation and its capacity to attract financial resources. The grantmaking, even in small amounts at the beginning, plays a key role in showcasing the foundation's aims and interests and at the same time helping to build its own success. While the non-profit sectors in several countries of Latin America and the Caribbean have grown considerably in size, scope and capacity, the local level is still characterized by a scarcity of, or unequal access to, resources. Issues of wealth redistribution, social justice, inclusion and citizenship should be incorporated as guiding principles in local grantmaking strategies.

Conclusions

Although there are some common trends in the development of philanthropy in the region, traditions of giving, availability of resources, and associational capacity vary substantially among and within countries. In the North-east of Brazil, for instance, inter-sectoral partnerships for specific projects have been easy to form but difficult to sustain after the ending of the project cycle. The clear conclusion is that community foundations are not a model to be copied and replicated everywhere. Their feasibility depends on the specific environment in which they are intended to grow and develop and, to a large extent, on the leadership capacity of the pioneer group. @

Who's afraid of mutual aid?

Andrew Kingman and Jonathan Edwards

*In working with Connie Ngondi-Houghton on the recently published **Philanthropy in East Africa** (see review, p54), we were forced to confront the issue of definition. She quite rightly challenged any imposition of a northern definition of philanthropy on an African context, preferring one which embraces a range of transactions at community level including giving material goods like seeds, offering labour, and perhaps even contributions into a collective savings group.¹ But is this community philanthropy? We don't think so. We believe these things belong in the neglected category of mutual aid and that, by including them in a definition of philanthropy, we are further degrading notions of mutual aid and solidarity and damaging their potential to be an important means of development.*



Andrew Kingman is CEO of Allavida and Jonathan Edwards is Allavida's Chief Operating Officer. They can be reached at akingman@allavida.org.ke and jonathane@allavida.org, respectively.

For the purposes of this article, we will define 'philanthropy' as *giving outside of one's family* and 'community philanthropy' as *catalysing and raising resources from a community on behalf of a community*.² In both cases, we suggest that what marks out philanthropic transactions from simple charity is a degree of planning, structured choice and engagement. The common theme in both charitable and philanthropic transactions is a significant element of selflessness.

Broadening definitions of philanthropy to include every possible transaction that is not specifically commercial is understandable in terms of 'democratizing' philanthropy and recognizing the importance of non-financial aspects of giving. However, while we endorse the motivation, we reject the strategy. It undervalues and potentially risks destroying a transactional culture that we believe is more powerful and has more development potential than most philanthropy.

Giving based on mutual aid and solidarity

We know that 'giving' in all its forms is an important and often critical element of life in low-income, vulnerable communities in Africa, but also in other regions in which Allavida works, including South-East Europe and Central Asia. We believe that such giving is an integral part of a broader social and economic system based on mutual aid and solidarity. A woman give seeds to a neighbour partly because she knows that next year she might be the one who needs seeds. In savings and credit circles the world over, a modest welfare fund is built up by small regular contributions from all members and used to help any member suddenly facing a crisis. ▷

¹ This approach resonates with the findings of the BCP project being undertaken by Susan Wilkinson-Maposa and her colleagues in southern Africa. See *Alliance* Vol 10, Nos 2 and 3 (June and September 2005).