

SOCIAL DEVELOPMENT NOTES

COMMUNITY DRIVEN DEVELOPMENT

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Community Foundations How To Series: Getting Started with a Community Foundation

Community foundations are locally based grantmaking foundations that mobilize local philanthropic contributions to support variety of development projects. They are becoming increasingly important in mobilizing local resources and development expertise. These foundations play a particularly valuable role in assisting local development, strengthening resourcefulness and capacities, attracting new resources and cultivating philanthropy from local donors for community-based and community-driven development (CDD). This note provides guidance to those considering community foundations as an element of a larger Community Driven Development (CDD) or Social Investment Fund (SIF) project.

What are Community Foundations?

Community Foundations (CFs) are independent organizations that provide grants to support a variety of projects identified and implemented by local citizens. They are formed as partnerships among local civil society organizations, the business community, government bodies and are independent entities. CFs are distinguished from other forms of local independent nonprofit organizations by a combination of six characteristics as depicted in Box 1.

Box 1: Defining characteristics of a Community Foundation

1. Act primarily as grant-making foundations;
2. Their mission is broadly defined (e.g. to improve quality of life in a community);
3. Serve geographically defined communities – a city, district or province;
4. Are supported by a broad range of private and public donors and seek philanthropic contributions primarily from inside the community;
5. Are governed by multi-sectoral local boards reflecting the community; and
6. Build a capital endowment, an important element of sustainability.

The CF governing board decides on the type of projects to support of relevance to the local context. CFs have a limited funding base anchored primarily in donations from local individuals, businesses and in some countries governmental sources. Thus, external funding is often critical in the start up phase of an emerging CF. The average size of the grants depends on the strategy chosen by the board and is typically between a few hundred to a few thousand dollars.

CF's dependence on local contributions means that their work is under strict local scrutiny with regard to transparency. A conflict of interest policy is a fundamental pre-requisite for lasting success of the CF. Grant proposals coming from community members are evaluated by the CF's Board or grant committee. Some CFs are proactive and allocate part of their budget specifically for educational, health, youth, environmental, cultural or other relevant initiatives or hold special rounds of grants dedicated to them.

Establishing Community Foundations

While Community Foundations are now widespread in North America, Europe and many ECA countries (over 700 in the USA alone, 95% of U.K. population covered by CFs), many client

countries are “CF terra incognita”, still waiting to see their first modern CF to develop.

The key questions to be addressed when considering starting a CF are:

- Are there locations in the country with a concentration of sizeable material wealth that could be mobilized?
- Do such communities have the necessary human resources available – are there skilled and trusted leaders?
- Are there cultural barriers that could inhibit CF, such as negative experiences with similar efforts in the past or lack of patience for long-term institution-building?
- Is the legal environment in the country conducive to CFs – does national legislation provide a framework for independently registered nonprofit organizations accumulating and distributing financial resources?

Selecting the right geography for the CF

Locating a CF is a critical first step in piloting the CF approach. CFs aspire to sustain grantmaking largely from local donations thus operating in an environment of sufficient wealth in the community is a critical consideration. Such wealth is usually present only in urban centers of significant size, with a vibrant economy and a critical mass of human capital. Because economy of scale matters, the desired population is preferably over 200,000 people and can go up to several millions. For practical reasons it is recommended to start with medium size cities – with a population in the hundreds of thousand rather than above a million – and to expand progressively to larger urban areas only when the CF’s management and governance is fully operational, sufficient local resources mobilized and a smaller core area is well covered and served by grants provided by the CF.

It is generally more challenging to start the country’s first CF in a capital city, although in most of the countries significant wealth tends to be concentrated there, due to the heterogeneity of social, political and ethnic groups.

Introducing the Community Foundation Concept

Once a suitable urban area is selected, the CF concept is introduced to the community through stakeholder consultations and a CF sensitization workshop. A World Bank (WB) funded CDD or SIF project can facilitate at this stage by identifying and convening business, civil society and local authorities. Key questions to be addressed at this stage are:

- Is the CF a desirable tool for the community?
- Is the CF feasible given the circumstances?
- Is there the will to implement the idea?

If a decision to establish a CF is positive, the next step is to elect a **Steering Committee** to manage preparatory work. To guide the work of the Steering Committee, clear terms of reference and deadlines for delivery are requested.(see Box 2)

Box 2: Terms of Reference for a CF Steering Committee:

- Draft the CF constitution
- Nominate trustees of a founding Board reflective of the respective community
- Prepare drafts of the key CF policy documents
 - (i) Conflict of Interest Policy
 - (ii) Transparency Policy
 - (iii) Simple Grantmaking Policy including Grant Agreement letter
- Identify and list potential donors within and outside the community
- Prepare an outline of a five-year fund raising strategy
- Prepare an indicative five-year budget for the CF
- Organize stakeholder meetings to endorse constitution and ratify nominated trustees

Once the Steering Committee is formed, the WB project may provide technical support to its work, including facilitation of links to CF practitioners, regional and global, who may provide more specific technical assistance. Once the Steering Committee

shows significant progress towards the CF board formation and the key funding documents and policies are ready for adoption, a CF launching event is convened at which participating stakeholders elect the CF board and approve key documents. (see Box 3)

A workshop for elected CF board members covering technical aspects of CFs such as their governance, fundraising and building of financial assets and grant making should be organized shortly after its launching. Participation of CF specialists and resource people may be assisted by a grant from Global Fund for Community Foundations¹ (www.wings-globalfund.org) requested by the board of the emerging CF.

Choosing and Forming the Founding Board of the CF

To identify and attract trusted and committed board members to the founding board of the CF is the **single one most important task**. The founding board, its commitment and skills in

attracting other supporters and introducing formative policies, practices and foundation culture to the CF, pre-determine the future success (or failure) of the CF.

In addition to reputation for personal honesty and commitment to the community, board members should as far as possible reflect the community in terms of gender balance, their ethnic and religious background, professional backgrounds and social strata. Board members should come from civil society, private sector, and if such is a decision of constituencies, from local governmental bodies. As individuals, board members are volunteers, doing their work entirely without payment. Commitment of the board members to strict conflict of interest policy and transparency policy are of critical importance.

Should Local Government be Involved?

Around the world there are different opinions about involving local authorities and politicians on the board of a CF. While prevailing practice in the USA is to exclude them, in a number of other

Box 3: Launching of the first CFs in Tanzania

The introduction of the CF concept to four urban centers in Tanzania was facilitated by the WB supported Tanzania Social Action Fund.

Kinondoni Municipality is one of three municipalities that comprise Dar es Salaam. The Municipality has a population of roughly 1.3 million. The **Kinondoni Community Foundation (KCF)** was launched in April 2007, five months after a CF sensitization workshop and several steering committee monthly meetings. During the launching event, stakeholders discussed and endorsed the KCF draft Trust Deed and other key policy documents and endorsed the 14 members of the founding board of trustees proposed by the Steering Committee. The composition of the KCF Board of Trustees includes three Members of Parliament, four representatives from Local Government and seven members of the civil society and business community. The KCF launch was leveraged as an opportunity to raise funds and pledges from stakeholders totaling over US\$ 33,000. KCF plans to start its grantmaking focusing on pressing health issues such as malaria and fistula.

The CF in **Arusha** (population 300,000) was initiated by a CF sensitization workshop and Steering Committee constituted in May 2007. Within the next 6 months, the 10-member Committee met 20 times and prepared the CF constitution, conflict of interest policy, transparency and grant-making policy, fundraising strategy with a list of potential local contributors and a business plan. These documents as well as the board were confirmed by a stakeholder meeting and launching of the **Arusha Municipal Community Foundation (AMCF)** in early December 2007. At the launching, US\$ 19,500 were raised from 51 local individuals and corporate contributors. AMCF plans to start operational work by grants supporting educational initiatives.

¹ The Global Fund for Community Foundations is an independent grantmaking body providing small to medium size grants to support the development of emerging community foundations in World Bank client countries. The Fund is supported by a group of private and public donors.

countries CF boards tend to invite trusted individuals from local authorities to serve on them. They must be allowed to serve with sufficient freedom to act without guidance from local authorities, so the independence of the CF is not undermined. Such individuals bring to the table significant leverage in terms of local knowledge, better coordination with LG and possible financial support. It also enables local authorities to learn new practices and policies, in particular those linked to transparency and good governance. Clear understanding of the CF on the part of local authorities is also useful as a way to prevent mistrust and fears of competition and threat from the CF. The role of the CF is to complement LGs, not to replace them.

A major risk on the CF side is where local authorities have a strong position and tendency to dominate. In such situations, local politicians or LG managers on the board may pose a risk to CF's independence. Close links with the LG may also pose a threat of politicization of the CF.

Applying the Community Foundation Approach in Urban Areas

A challenge for many CDD and SIF projects is how to support financially and operationally sustainable initiatives in urban areas, where social and economic issues are complex and communities often have lower levels of social capital. Urban settlements are complex, diverse, mobile and largely heterogeneous, with a mixture of rich and poor, educated and non-educated, and big and small businesses. Appropriate governance structures at the local level are often absent and challenges are apparent in social mobilization and convening meetings, and in reaching consensus on identifying areas of common interest for CCD interventions.

CF approaches prove very capable of dealing with these complexities and can tap opportunities that urban areas offer, including the possibility to capture domestic resources for local community development. Well developed grantmaking and funds management mechanisms of a CF significantly increase local capacity to directly absorb and manage assistance from external donors without the need to channel resources

through expensive external intermediaries from abroad and maximize the use of local knowledge. Regarding sustainability, a very attractive feature of CFs is the endowment they build. A portion of raised funds is allocated to an endowment fund, which, together with diversity of donors, is a keystone of the CF financial sustainability strategy. It is hard to consider endowment development in resource poor rural areas, but richer urban areas may have sufficient resources.

Given the complexity and fragmentation of urban settlements, building closer ties between civil society groups, academia, local government and the private sector is a highly valued contribution of an urban CF, and by doing so, CFs can strengthen bridging social capital in a community. CFs develop this potential further by encouraging networking amongst their grantees and linking them to donors and other development stakeholders inside and outside of the community.

Finally, in both urban and rural areas, CFs help to maintain capacities built within the community in project management, accounting, procurement and participatory monitoring after externally funded projects close. They play an important role in facilitating and enhancing improved local governance through the participation of stakeholders in civic affairs, policies on conflict of interest, transparency, oversight of development interventions by civil society, and by the private and public sector partnerships. Providing citizens with merit – based transparent, fair and simple access to funds and other resources is often a profoundly empowering experience.

For further information on community foundations please contact the authors.

This note was prepared by Juraj Mesik (SDV) and Daniel Owen (SDV). It is part of a series intending to disseminate good practice and key findings on community driven development. This series is edited by Social Development Department of the Sustainable Development Network of the World Bank. Additional copies can also be requested via e-mail: socialdev@worldbank.org