

# **International Perspective: Models, Experience and Best Practice**

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## **Introduction**

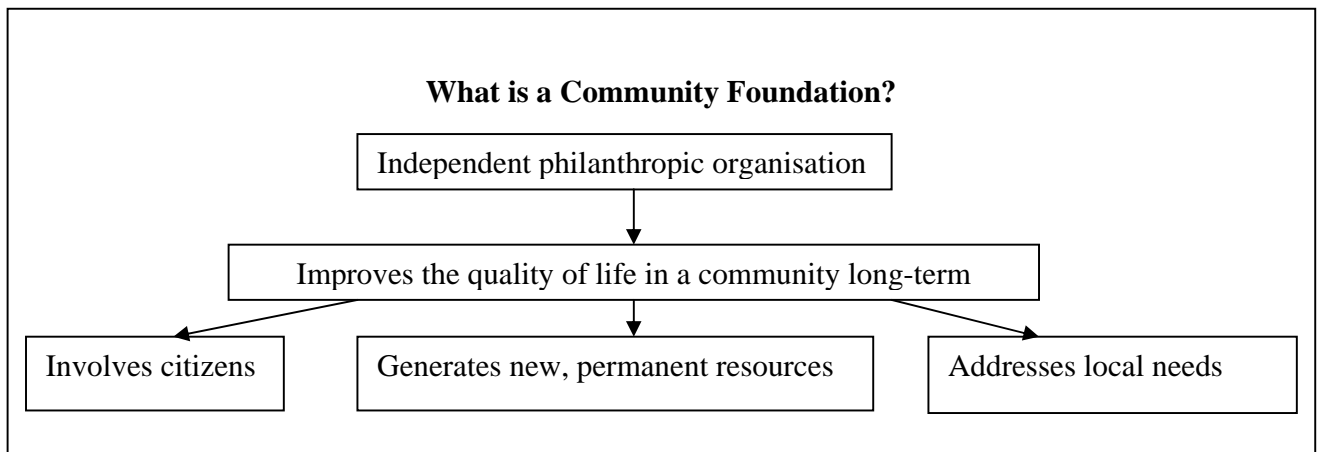
For more than eight decades, community foundations in the United States and Canada have played a key role in building vital, healthy communities by pooling funds from a wide range of donors to meet critical local needs. Today, the community foundation concept has spread to many other countries around the world and represents one of the fastest growing areas of organized philanthropy.

Currently, there is immense interest in the community foundation concept in Europe. Led by the United Kingdom where more than 50 community foundations have taken root since the mid 1980s, there has been an explosion of activity in the past few years in other countries in Western and Central and Eastern Europe such as Germany, Italy and Poland. Several initiatives are now underway to further promote the concept in Europe and to increase communication, sharing and learning among those that exist. In addition, linkages between community foundations in Europe and other parts of the world, especially North America, are being strengthened.

Given this increased attention, this paper focuses on exploring four major questions: What is a community foundation? Where do they exist around the world? What factors have contributed to the spread of the idea and its enormous appeal? How has the concept been adapted to fit various cultures and conditions?

## **What is a Community Foundation?**

The community foundation concept is, at once, both simple and complex. It is simple in the sense that a community foundation connects resources to needs in order to improve the quality of life in a community. It is complex and multifaceted, however, in the way it goes about accomplishing that task.



As a result, it is not an easy concept to adequately describe in a few words. Several years ago in the United States, a national contest was held to see if the essence of a community foundation could be described in one short, concise phrase. No one won the prize money. That challenge remains today. A two-sentence description of a community foundation is offered here, followed by a discussion of some of the basic elements of a community foundation.

A community foundation is an independent philanthropic organisation working in a specific geographic area which, over time, builds up a permanent collection of endowed funds contributed from many donors, provides services to those donors, and makes grants and undertakes community leadership activities to address a wide variety of current and long-term needs in its service area. The foundation is governed by a board of citizens broadly reflective of the community it serves.

A community foundation performs five distinct but interrelated functions in service to its community:

- *Resource Development.* A community foundation mobilises, attracts, pools and manages financial resources for the current and long-term benefit of the local community. It receives donations from a wide range of donors including individuals, companies, charitable trusts and public bodies, with an emphasis on seeking support from local sources.

A community foundation's primary aim is to build a permanent, continually growing asset base to serve the community into the future. As a result, the foundation places a priority on raising endowment funds.

- *Financial Stewardship.* A community foundation acts a guardian of donated funds, investing and overseeing their safe-keeping. The foundation follows sound investment principles, and takes independent, professional advice on managing the invested funds.
- *Donor Service.* A community foundation offers flexible, cost-effective services to donors, tailored to their interests and giving capacity. Donors can give an unrestricted contribution which can be used by the community foundation for any community need or set up funds which are designated for particular purposes or organisations they wish to help. Donations can include cash, securities, property and in-kind services.
- *Grantmaking and Programme Support.* Using interest income from invested assets, a community foundation makes grants and operates programmes to address a wide variety of local needs in its community. Since the foundation takes a holistic view of local development, its grantmaking and programme support can cover areas such as health and human services, education, the environment, economic development, and

arts and culture. These priorities are established by monitoring local conditions, analysing gaps in services and funding, and responding to changing needs. Local advisory committees often inform and enhance the grantmaking process.

- *Community Leadership.* A community foundation provides leadership on pervasive community problems by serving as a facilitator, convenor, 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.

Taken together, these functions and characteristics make a community foundation unique and set it apart from all other types of foundations and nonprofit organisations in the voluntary sector.

### **Characteristics of a Community Foundation**

- *Independent.* A community foundation is a separate legally-recognised entity, operated exclusively for charitable purposes, and is independent from control or influence by other organisations, government or donors;
- *Geographically-focused.* A community foundation concentrates on a specific geographic area, typically a city or a town;
- *Knowledgeable.* A community foundation has in-depth knowledge about the geographic area it serves, including needs, opportunities, people and institutions;
- *Inclusive.* A community foundation involves all types of local citizens and institutions in its activities (e.g., on its governing board and advisory committees, as donors, as grant and programme beneficiaries, etc.);
- *Permanent.* Endowed funds provide the community foundation with the ability to plan ahead and address long-term issues in the community, offer donors the opportunity for their donations to make a difference for years into the future, and provide financial sustainability for the community foundation and its beneficiaries;
- *Innovative.* A community foundation continuously seeks out new ideas and approaches in working with donors, nonprofits and the community at large;
- *Flexible.* A community foundation accepts various forms of assets from all types of donors and addresses a wide spectrum of community interests and needs; and
- *Accountable.* A community foundation has open and transparent policies and practices concerning all aspects of its operations, and informs the general public and donors about its purposes, activities and financial status on a regular basis.

In some communities, there are other types of local organisations that collect, manage and redistribute contributions from local donors to meet local needs. These include, for example, joint community fundraising campaigns (e.g., United Way) and philanthropic citizen clubs and associations. These groups differ from community foundations in their governance and organisational structures, resource base, and role in the community.

### **Where have Community Foundations Developed?**

Community foundations exist, or are under development, in at least 17 countries in North America, Latin America, Europe, Asia and Africa. The most advanced countries are the United States, Canada and the United Kingdom. However, in the past decade, there has been significant growth in all the regions in the number and size of individual community foundations as well as in the development of support centres and networks that provide information, training and promotional services to community foundations. The formation of such support centres is a particularly important trend because of the valuable services they provide in assisting both emerging and established community foundations to grow and develop.

#### **Top Three Countries with Community Foundations**

##### United States

- 1914: First community foundation established
- 1949: National membership association formed
- 1997: 547 community foundations  
\$21 billion (US) in total assets

##### Canada

- 1921: First community foundation established

- 1992: National membership association formed
- 1997: 90 community foundations  
\$1 billion (Can) in total assets

#### United Kingdom

- 1979: First community foundation established
- 1991: National membership association formed
- 1997: 50 community foundations  
£65 million in total assets

- *North America.* The first documented community foundation was established in the United States in 1914 in Cleveland, Ohio by a lawyer and banker named Frederick Goff who envisaged a flexible yet permanent vehicle that would encourage and sustain charitable giving on a local basis. The idea caught on and in the succeeding decades community foundations were established in hundreds of communities across the country.

By 1989, there were 250 community foundations in the United States with \$6 billion in collective assets. During the next decade, the field experienced tremendous growth and by 1997 had expanded to 547 community foundations with \$21 billion US in total assets. That year, American community foundations received a record \$2.4 billion in contributions and awarded an all-time high of \$1.25 billion in grants. The largest, the New York Community Trust, had \$1.5 billion in assets and distributed \$87 million in grants.

Today, community foundations in the United States raise \$1 billion every six months – a trend which is fueled by favorable tax laws, a robust economy, and successful marketing to donors. In addition, the Council on Foundations (COF), a national

membership association, and several state and regional support centres provide important organisational development assistance.

In Canada, the first community foundation was established in Winnipeg in 1921 after the concept spread from the United States through the banking field. Several others were established in the following decades but rapid development began to occur in the 1990s. By 1997, there were 90 community foundations, with total assets of \$1 billion (Canadian) and \$50 million (Canadian) in grants. The largest community foundation that year, the Vancouver Foundation, had \$500 million (Canadian) in assets and awarded \$25 million (Canadian) in grants. A national membership association, Community Foundations of Canada, was formed in 1992, and other affiliated regional support centres have developed to support the field.

- *Europe.* The community foundation concept is taking root at a rapid pace in Europe. The United Kingdom has led the way for over a decade but important development initiatives are now underway in such countries as Germany, Italy, Slovakia, Czech Republic, Poland and Russia. In addition, pan-European and transatlantic communication and networking efforts among community foundations are being

#### **Community Foundations in Europe**

United Kingdom	Slovakia
Germany	Czech Republic
Italy	Poland
France	Bulgaria
Belgium	Carpathian Euroregion
Ireland	Russia



supported by the European Foundation Centre and several European and American independent foundations.

In the United Kingdom, the first community foundation was established in 1979 in Northern Ireland. The vast majority, however, have been formed since 1986. Since then, more than 20 community foundations have been created and another 30 initiated in England, Scotland and Wales. The Charities Aid Foundation played a leadership role in promoting the concept in the early years, along with seed support from central government and endowment matching grants from independent foundations such as the Charles Stewart Mott Foundation. In 1997, the top 22 community foundations had assets totaling £65 million and awarded grants totaling £13 million. The largest community foundation, the Tyne and Wear Foundation in Newcastle, had £17 million in assets and awarded £1.3 million in grants. A national membership association, the Association of Community Trusts and Foundations, was established in 1991 to support the field.

In Germany, the first community foundation was established in Gütersloh in late 1996. Since then, several others have been created or are in the process of being formed including community foundations in Hannover, Dresden, Hamburg, Munich and Steingarten. A number of prominent German foundations have provided significant start-up support for community foundations including Bertelsmann, Körber and Freudenberg.

In Italy, the first community foundation was established in 1999 in Lecco and another 13 to 15 are expected to be formed during the next three years. This development is being initiated by the Fondazione Cariplo, a Milan-based savings bank foundation, which has pledged up to \$11 million to each community in the Lombardy region that meets certain conditions. In addition, technical assistance, training and networking are being provided.

In France, the Foundation de France, which was patterned after the Cleveland Foundation, functions like a national community foundation. In Belgium, the King Baudouin Foundation provides similar services but also is in the process of exploring the potential of seeding community foundations in a few local areas in the country. In Ireland, a national organisation with community foundation characteristics recently formed. In addition, the concept is being explored in countries such as Portugal and Switzerland.

In Central and Eastern Europe, community foundations exist or are under development in at least five countries or regions. In Slovakia, the first community foundation was established in 1994 in Banská Bystrica and at least three more have developed with support from the Open Society Fund-Bratislava and other funders. In the Czech Republic, the first community foundation was established in 1998 in Ustí nad Labem and a national development initiative supported by the Open Society Fund-Prague and other groups is laying the groundwork for more.

In Poland, the first community foundation was established in 1998 in Bystrzyca Klodzka and three others were formed in 1999. At least 10 more are projected during the next three years with help from the Academy for the Development of Philanthropy in Poland and the Foundation for the Support of Local Democracy. In Bulgaria, several local Open Society Clubs (citizen associations which raise and distribute money for local projects) are evolving into community foundations. In the Carpathian Euroregion, a regional foundation called the Carpathian Foundation has qualities similar to a community foundation. In addition, the concept is being explored in Estonia and Hungary.

Further east, in Russia, the first community foundation was formed in 1998 in Togliatti and at least two more are under development with assistance from the Charities Aid Foundation-Russia and other groups. In addition, the community foundation concept is being explored in Ukraine and Armenia.

- *Other Regions.* In Africa, efforts are underway to start-up community foundations in South Africa, and a handful of similar organisations exist in Kenya, Mozambique, Zimbabwe and West Africa. In Asia, a small number of community foundations exist in Australia, New Zealand and Japan. In the Caribbean, in addition to community foundations in the United States territories of Puerto Rico and the Virgin Islands, one is being developed in Anguilla. In Latin America, there are at least three community foundations in Mexico with another seven or more underway. In addition, a national foundation with qualities like a community foundation exists in Ecuador, and there is strong interest in the concept in Brazil.

### **What are the Driving Forces that have Contributed to the Growth of Community Foundations around the World?**

Communities throughout the world – both urban and rural – are being buffeted by a range of macro and micro political, economic and social changes. One significant trend is the move toward decentralisation and reduced spending by national governments. This, combined with increasing social problems such as unemployment and social exclusion, is felt most acutely at the local level where people live and work.

In this changing environment, pressure is being put on local communities to assume responsibility for providing many traditional public services, to fund new community improvement activities, and to manage the decision-making process regarding how services are provided. While local governments have a central role in the provision of community services, they often are constrained by cumbersome regulations, political pressures and, at times, public skepticism about their efficiency and effectiveness.

Increasingly, local residents want a direct voice in making informed decisions about setting community priorities, identifying potential solutions, allocating limited resources,

and monitoring results. Citizen-led initiatives and campaigns are on the rise, and are calling for processes that are more inclusive, participatory and democratic than in the past. The focus is less on the institutions of government and more on solving problems and making and implementing decisions that are of direct interest to the public. This reflects the growing will of citizens to control their own lives and to transform their communities and societies.

Many of the issues of concern to local citizens are being addressed by grassroots groups and community-based nonprofit organizations. These groups play critical roles as social innovators, service deliverers, watchdogs, advocates and generators of economic activity. They are uniquely positioned to initiate thought and action, experiment with new and untried ventures, dissent from prevailing attitudes, and act quickly and flexibly, often in ways government cannot. Yet, they often lack sufficient financial and human resources to conduct and sustain their work over time. Many need assistance in developing new sources of income and building the skills of staff and volunteers in order to ensure organizational capacity and stability.

Community foundations can be a valuable tool for helping communities deal with the changing role of government, engaging citizens in local problem-solving and strengthening the nonprofit sector. Since a community foundation embodies the democratic values of good governance, citizen participation and civic engagement, it works to nurture collective responsibility and self-reliance at the local level. For example, a community foundation can help local government experiment with new forms of service delivery and leverage private sector contributions. It can help residents acquire skills, knowledge, resources and access in order to communicate and deal with local government, the private sector and other community institutions in productive ways. It also can help build the capacity of local nonprofits by strengthening their financial base through grants and in-kind support, and by increasing their organizational skills and capacity through training and technical assistance.

## Transatlantic Variations

As the community foundation concept has spread to other countries it has been adapted to relate to different societal and cultural contexts. These variations have been driven by history, different legal and fiscal frameworks, economic conditions and patterns of wealth, traditions of charitable giving and volunteering, nature of the nonprofit sector and other factors. Examples of these differences are noted below, with an emphasis on comparing American and European experiences.

- *The Concept of Community.* In the US, the concept of “community” – a geographic place where people have strong local ties and a sense of identity and cohesion – is an immediately understandable point of reference for people. Traditions of individual and collective self-help, the belief that each person can make a difference, and a high value placed on “giving back” to society in order to make a better world for the next generation still pervade the national psyche.

In Europe, personal identity and belonging follow more fluid cultural and linguistic lines and are not necessarily linked to the place where people live. The notion of geographic identity has been affected over the centuries by changing national and regional boundaries, patterns of land ownership by elites, and various political systems such as communism which have discouraged local initiative. For example, in some European languages (e.g., German and Bulgarian) it is difficult to identify words or phrases that adequately convey the concept of a community foundation; the words associated with the term “community” typically have political or jurisdictional meanings.

- *Philanthropic Traditions.* In the US, there is a strong culture of individual charitable giving and volunteering to local causes. Philanthropy is practiced by people from all economic backgrounds, is often conducted openly and with public recognition. Not

surprisingly, individuals make up the largest category of donors to community foundations.

In Europe, philanthropy traditionally has been more paternalistic (i.e., practiced by the upper classes or handled through an intermediary like the church) and there is often a reticence to reveal one's economic status. Furthermore, in some countries like the United Kingdom, individuals tend to give to national and international causes rather than local issues. As a result, British community foundations initially have had more success in securing contributions from local companies because they more readily see the value of investing in the local community where their employees and customers live. In Central and Eastern Europe, philanthropic traditions were suppressed by communism, so community foundations are reintroducing and nurturing the ethic of individual giving and corporate social responsibility.

- *Legal and Fiscal Environment.* Legal and fiscal regulations influence the sources, types and levels of charitable giving. In the US, community foundations are legally classified as public charities and therefore must continually raise funds from a variety of sources or lose their public charity status. There are, however, a number of favorable tax incentives for individual and corporate donors to give to community foundations rather than, for example, set up a private foundation. In addition, a vast range of charitable giving methods is available to maximize tax benefits for the donor and to accommodate most any kind of asset the donor wishes to give.

Legal and tax regulations affecting community foundations differ widely from country to country in Europe. Some countries such as the UK have relatively beneficial tax incentives for charitable giving and have an environment in which new ideas and approaches to increase philanthropy are being developed. Others countries, particularly those in Central and Eastern Europe, have outdated or sometimes punitive laws governing the establishment and regulation of foundations, provide few or no

tax incentives for charitable giving, and lack adequate financial systems and economic stability to ensure safe in-country investment of contributed funds.

- *Role in the Community.* Community foundations in the United States typically emphasize their grantmaking role and operate programmes only on a limited basis. In some European countries, especially in Central and Eastern Europe where the nonprofit sector is undeveloped and lacks capacity to undertake projects, community foundations often create and run their own programmes. Community foundations in that region also tend to play a stronger community leadership role because money is scarce and there are fewer local actors with which to partner.

American community foundations tend to make more grants in the fields of education and health – areas that are supported to a larger degree by government in Europe. European community foundations generally have stronger, more in-depth ties to local authorities – as recipients of public funding, as funding partners and by involving public officials in the governance of the foundation.

- *Services to Donors.* In the United States, community foundations typically position themselves as intermediaries to help donors with their charitable interests. As a result, getting to know donors, building long-term relationships and providing individualised services is key to their work. This is an area that is beginning to gain more attention in the United Kingdom and other European countries.

In the United States, a significant amount of money from individuals comes through wills and bequests and from capital assets rather than income. As a result, American community foundations have strong links with professional advisors (e.g., lawyers, accountants, bankers, etc.) in order to conduct estate planning during a donor's lifetime. To date, British community foundations have dealt primarily with living donors and gifts from income. Work with professional advisors to reach older donors is increasing.

## **Concluding Remarks**

A community foundation is a powerful vehicle for improving the quality of life in a community. By involving local citizens, mobilizing resources and building partnerships, it is able to address local needs in innovative and effective ways.

Although first conceived in the United States, the community foundation concept is no longer solely an American idea. The concept has been adapted and modified to suit the conditions, needs and dynamics of many communities around the world. The idea will continue to spread as communities discover the value in having a locally-governed, locally-financed and locally-operated entity with which to build a better future for all citizens.