

Community Foundations play a key role in building social capital

by Vera Billen

As the King Baudouin Foundation (KBF) is a member of the Transatlantic Community Foundation Network, I was in the privileged position to acquire information on community foundations from both sides of the Atlantic. I was impressed by the passion and shared belief of community foundation leaders. This applies to long-established community and also to young community foundations with a history of less than 5 years. They share the strong belief that community foundations play a key role in building social capital within communities. In this way, the community foundation proves itself to be an active part in the society.

The KBF was established in 1976 – on the occasion of the 25th Anniversary of the Coronation of King Baudouin – with the goal of improving the living conditions of the population. The KBF has most of the characteristics of a community foundation, although it operates throughout the country and internationally. The KBF strives to promote the involvement of various groups in society to bring about lasting changes that will uphold the principles of justice, democracy and development in the future.

One of the KBF's strengths is its ability to bring together individuals and groups from all parts of society in a non-partisan surrounding. The KBF assumes its role through specific initiatives aimed at promoting this dialogue and via the many juries and management committees it appoints to deliberate on projects submitted in connection with campaigns initiated by the KBF.

A community foundation within the KBF

The KBF also supports initiatives that promote local development and strengthen the social capital of citizens. KBF has established regional funds on a local level. Regional funds allow the KBF to reach out locally, joining forces with local partners to service local donors and build an endowment to respond to long-term community needs. These regional funds can be regarded as community foundations.

The community foundation of Central and South-West Flanders

The first, and for the moment, only community foundation in Belgium was established in Central and South-West Flanders (“Midden en Zuid-West Vlaanderen”). This area comprises the towns of Kortrijk, Roeselare, Tielt and Leper, and has about 600,000 inhabitants (10% of the Flemish population). Geographically, Flanders is situated in the Northern half of Belgium, and Dutch is the official language of the region.

The establishment of a community foundation in Central and South-West Flanders is the result of a joint effort between the multinational company Levi Strauss, local leaders and KBF. In 1998, Levi Strauss shut down two factories in Central and South-West Flanders and made a donation of 811,218 Euros (USD 700,000) to the KBF with the mandate to create a development fund for the region.

The KBF brought local leaders and Levi Strauss together to consider starting a community foundation. The fund from Levi Strauss was considered as a partial endowment (50% endowment, 50% grant support) for the community foundation. All parties were engaged in setting up the community foundation as a regional fund within the KBF. After selecting a local Board the community foundation was officially registered on 2nd May 2001. Board members were selected based on their personal involvement as leaders in their local community. They represent a mix of people in the region's society. Since then the community foundation was set up as a regional fund for an unlimited period of time within the KBF. The KBF is legally responsible for the actions and financial agreements made by the community foundation. This also means that all investment and financial policies established within the KBF apply to the community foundation of Central and South-West Flanders as well.

Bonding social capital

Bonding social capital has always been strongly developed within the region of West Flanders and Belgium in general. Historically, Belgian society has been organised by vertical structures, called "pillars", in which one characteristic dominates. For example, in the north of the country, the "regnant" pillar was the domination of the Christian Democratic Party (CVP). Here, you were born within a Catholic family, you went to a Catholic school, played sports on Saturday in a club affiliated with the local parish, went to church on Sunday morning and to Catholic youth organisations on Sunday afternoon, went to a Catholic university, joined a social security organisation and labour union affiliated with the Christian Democratic Party. You worked for organisations related to this network, and, most important of all, you voted for the CVP. Your children followed in your footsteps, and the circle started over again. This has been the situation for more than the last 50 years. As a citizen, you were taken care of from the cradle to the grave. Close bonds were dominant in the society, but this was not always positive, because if you were not a member of someone else's pillar, you did not belong to that group in society. You simply belonged to another pillar and played the rules according to that pillar.

Over the past decades, the society structure has become more open. People tend to "shop around" nowadays. For example, you go to the school that provides the best education and play sports where they have the best facilities, you don't go to church on Sunday, you may still be a member of a Christian labour union and social security organisation, but you vote for other political parties. Today, most people are members of many diverse groups, at different times and for various reasons. Their social capital is made up of this richness of relationships. Because bonds are no longer for a lifetime, people cross over sectors and become more mobile. Organisations have to follow if they still want to be a contributor within their society. Organisations have to build bridges. When they focus on creating conditions for people to meet regarding forging links among groups of communities, they are

building "bridging social capital." This is where the community foundation fits in today and offers the most added value.

In West Flanders, the situation was similar but bonds were even stronger. Here, you find shared norms and beliefs specific to this part of the country. Their shared sense of common identity and expectations is rooted in history. After the First World War (1914-1918), the West Flemish people had to rebuild everything from scratch within their region (known as Flanders Fields), and they could only rely on themselves. The federal political power was not interested in the region, and development programs did not exist. So everything they achieved was due to their own efforts, hard work, and family entrepreneurial skills. These characteristics can be assets, but again they can be too negative when people become stereotyped on the basis of family, school, and group in society. Even today, bonds in the region are so dominant that, if you are not from "one of their own," you are considered to be an outsider and are regarded with suspicion.

The Board and the Chairman of the Board

The Community Foundation of Central and South-West Flanders was established on 2 May 2001. Besides taking time to get to know one another (a process that has only just begun), the Board worked on defining the role of the community foundation in the local community.

The role of the Chairman of the Board has been crucial to this process. As a successful entrepreneur and businessman, the chairman was involved from the early stages. Even when the intentions of Levi Strauss became clear, he was involved in setting up an agreement with the KBF to bring the Board together. It was obvious for him, that in the past we had been successful in our society when it came down to hard work, minding your own business, and being charitable in giving back to your own society. As a businessman, he spoke about the concept of changing charity to *community involvement*. The needs in society to which an organisation can respond are endless. Community organisations can financially support local initiatives through sponsorship. In this case, the community organisation acts as a charity foundation. But society needs something more. Local actors need to bring financial means together for the future.

This concept is new within our society, and so the Board of the Community Foundation must open doors and act as an ambassador in spreading the concept of the Community Foundation to all local actors within the region.

Looking back on the region's past successes and failures, the Chairman of the Board described nine points as weaknesses. These should be rectified with new solutions if the people of the region wish to take up the challenges that lie ahead of them:

1. People in the region live together and share the same sense of belonging, but they do not like to work together. Their entrepreneurial model is based on strong family ties, where the "pater familias" reigns over business and family. In this climate, partnerships and consolidations are nonexistent.
2. When companies want to grow and expand their territory, they find it almost impossible to do so because of the lack of sufficient family capital or venture capital from banks. Instead of expanding their own businesses, they become

attractive partners to foreign companies looking for foreign investment. Thus, local wealth passes into foreign hands that have no link to the community.

3. "Work hard and mind your own business" is the general credo of the region, so outsiders who have a university degree and want to start a career think twice before coming to live in the region. They prefer to live in other places – even if the economic power of the region is still one of the strongest in the country. And once they are professionally involved, they prefer to live close to the region instead of living in the region itself.
4. Recently, the region invested in networking among businesses. The local Chamber of Commerce plays an active role in bringing businessmen together, but it is far from being a genuine community player within the region.
5. Within the whole chain – from raw materials to consumer products – there are few examples of real added value, in terms of peoples brains and knowledge. Businesses do not invest enough in closely related markets such as design, research, information and communication technology.
6. Professional managers are not attracted to a company structure of family holdings where decision-making is not transparent and there is no corporate governance related to the stock exchange.
7. Good common sense is insufficient to meet the economic challenges that lie ahead of us. In a global economy, the winners combine financial capital with knowledge capital and social capital.
8. In order to survive, businesses need to work together and they need to invest money in research and development.
9. When they do so, they must think about their most natural habitat, which is the region where they live and work. Not in a conservative way, but rather regarding the most likely partner of all: the northern region of France (Métropole Grand Lille).

In addition to the classical factors such as interesting job opportunities, investment in research and development, and so forth, the critical success factor for the region is investment in quality. Of course, this involves the quality of work, but even more important is the *quality of life* itself. Is the region a nice place to live in? Does the region have interesting cultural activities? Good schools for our children? And what about recreational activities?

Bridging social capital

All members of the Board are convinced that the community foundation should play an active role within the local community to make it a better place to live and work. How to define this role? Each member understands the importance of being more than a new player in the field alongside businesses, political organisations, non-profit organisations, schools, religion. The specific role of board members should be promoter of inter-action. They all understand from their own professional backgrounds that they work hard but that they work next to each other. This has worked very well in the past, but they understand that they now need something different for the future. The challenges, needs, and opportunities of the future require different tools to make society running smoothly. Board members need to work smarter and this only happens when people are brought together.

This is where the community foundation comes in. The community foundation is the missing link in bringing people, ideas and money together. As a facilitator, the community foundation can support those initiatives that focus on the improvement of general living conditions in the region. Emphasis will be on those initiatives that are shared by a partnership in which various groups and interests come together. The community foundation is thus an actor in civil society that bridges social capital.

Endowment building

Levi Strauss' donation has guaranteed the Community Foundation of Central and South-West Flanders an endowment of 405,609 Euro (USD 350,000). This allows the Board to focus on describing the mission and values the community foundation stands for within the local community. The Board firmly believes that it all has to do with social networking, with promoting and facilitating inter-action between various community groups and interests. Money can make the world go round, but it can't give vision to a community foundation. Even without the endowment from Levi Strauss, the community foundation has to make it clear to people what it wants to do, where it can make a difference, how it can respond to local needs. Donors must be convinced by action that the community foundation is here for good and will remain forever.

As the community foundation works within the entire area and does not serve a specific group or interest, it can make a difference to the region. Inter-action is its business, but its mission is improving the living conditions of the people who live in the region in which it operates. The community foundation stands for something and the work it does should always demonstrate this. The endowment money makes it possible to strengthen the foundation's own position and to focus on long-term issues and not merely on short-term results by supporting or sponsoring demands from local organisations who need funds for their own projects.

First grant programme

Integral part of the Board's long-term strategy, is the focus for its first regional grant programme. The donation from Levi Strauss made it possible from the very start to get involved as a local grant maker even without its own fundraising activities. The Board defined *six* criteria against which a first grant should be measured:

1. The region must look for a common denominator. What can be considered as an existing common need within the region?
2. The main focus should be on the citizens, the local authorities, and the local businesses. Each grant must be given to projects that are closely linked to what is most important in people's daily lives and work.
3. Projects that receive the largest grants also appeal to people's philanthropic side. How can people give financially back to their community?
4. Companies and important donors should become partners of the community foundation. Donor services should be developed in relation to the wishes of the local donor. The existing grants should be a promotional tool for doing so.
5. Communication is vital - and well-chosen early grants that reflect the donor's interests can be used to promote their involvement.

6. Once a choice has been made, it should be possible to work on the same theme for years to come. Short-term results are important and they will be more effective if there is a chance to sustain them.

Knowing that the community foundation still needs to position itself as an actor within the local community, it is important to make the right choice. By doing so, the community foundation builds up its own legitimacy within the local community and gains the trust of local donors in funding local projects for the future.

Future challenges

It is clear that all this is an ambitious, long-term project. The experience and know-how developed over the years by the KBF serves the development of community foundations. It is true that the KBF will not actively promote the community foundation concept all over the country, because we believe that true power and belief in the concept must come from within the local society. Once this is clear, development of the community foundations set up within the KBF receive 200% support from the umbrella organization.

This understanding of how local society works comes not from scholars, not from sociologists and not from community foundation experts but from local leaders who have learned through their own professional success and experience. They have a commercial instinct, non-profit involvement and political understanding of how community needs should be answered in the future. They have come to internalise a process for themselves. Today the Board brings it all together and expresses these thoughts and intentions in their monthly board meetings.