

# **THE BALANCE BETWEEN BONDING AND BRIDGING ACROSS SECTORS, DISCIPLINES AND RACE**

**by Olga Alexeeva**

## **Introduction**

Community foundations as a new form of philanthropy have spread fast across the world. In 1992 only three countries had a developed network of community foundations (the USA, the UK, and Canada). In 2000 community foundations are in the process of development in more than 30 countries. Many have been developed in countries with emerging democracies which are undergoing political and economic changes.

From country to country the community foundation concept changes according to the unique political, economic and cultural environment. But the main cornerstones of this model of philanthropy remain the same everywhere: community foundations are locally focused; they are effective vehicles for local donors in giving, and they support wide community issues. Serving the community as a whole, community foundations also facilitate a dialogue between people of different professions, races, and cultures and between different sectors and classes of society.

This bridging role of community foundations is extremely important. But do all community foundations play this role? Is bridging a natural part of community foundation life and development? These are challenging questions. Community foundations in every country, including the USA and Canada, face the challenge of being actively involved in the development of their communities to develop and strengthen civil society. Site visits and discussions of the Working Group "Role of community foundations in strengthening civil society" helped to understand these challenges.

If we take a look at several countries around the world where community foundations are present or emerging, we can see that different countries meet different challenges in relation to this issue, but we can also see that there are common issues and challenges for all community foundations around the world.

## **USA and Canada**

As we could see from site visits to the Minneapolis Community Foundation, the New Hampshire Community Foundation and the Hamilton Community Foundation, there are a number of challenges faced by community foundations in their development and their role in local communities in the USA and Canada. Those challenges are linked to the historical development of community foundations in North America as convenient vehicles for private giving.

### **Staying within the traditional circle of donors or going beyond**

Most community foundations in the United States and Canada have traditionally served families and private donors from wealthy, predominantly white, communities. Management of donor advised funds is the main activity of community foundations in North America. Until the 1980s most funds were received by community foundations in the form of bequests from donors who were leaving their wealth to their communities after death.

In the 1980s and especially the 1990s, the fast development of high-tech industry, the growth of the middle class and the wide acceptance of equal rights of other races and ethnic minorities brought new donors and new challenges to community foundations in North America. Community foundations could no longer continue to focus most of their efforts primarily on former CEOs and their wives. The main question on the agenda was how to change and develop their approaches to suit new philanthropists – live, active, liberal, in average 40 years old.

New philanthropists brought new topics to community foundation's grant-making such as environmental protection or human rights. Not all community foundations in the USA and Canada were ready to widen their views and priorities in giving. Not all of them had an expertise and courage to tackle controversial issues such as assistance to gay and lesbian communities or women's rights.

New philanthropists included not only very wealthy high-tech leaders but also the middle class. Community foundations in the USA and Canada used to work individually with individual wealthy donors. Now they have to develop programmes and campaigns for raising funds from middle class and low-income communities. The "Our millennium" campaign of community foundations in Canada is an excellent example of successful change in scope and view on local giving.

Fast societal changes raise many important questions, which are not easy to resolve. How can community foundations balance the interests and life styles of their "traditional" donors with the interests and life style of new donors? Should community foundations in fact go beyond the suburbs and start actively encouraging giving in Asian, African American and Hispanic communities?

Bridging between races and classes, involving different people in giving, will only be successful, if community foundations change their style of working with donors, and if they widen their lists of priority topics and include representatives of ethnic communities in their Boards. Community foundations in North America were successful in bonding together wealthy white communities and focusing donor attention to local problems. But they will now need to play a more risky bridging role opening their circles to new philanthropists. In some cases, community foundations may even run the risk of losing a number of wealthy donors. Not every community foundation in the USA and Canada is prepared to take that risk. But as the experience of the

Hamilton Community Foundation and the Minneapolis Community Foundation shows, more and more community foundations in the USA and Canada understand the need to include all groups within their community and, therefore, are ready to take the risk.

### **Active involvement in community life – listen to those who need support, not just to those who give support**

Not only new donors but also new problems in the community add a new dimension to the role of community foundations in North America. Traditional giving to animal welfare societies, children's charities and orchestras is no longer enough to address the growing needs of people. HIV and Aids, women's rights, new immigration and environmental problems are only a few of the issues on the agenda of American society. The experience of the Minneapolis Foundation shows how a community foundation can make a huge difference in the local community by not only using unrestricted funds for grants to tackle burning issues, but by initiating a dialogue in the local community about problems which many people do not want to notice. The Minneapolis Foundation programmes to support Somali women and new immigrants show that a community foundation

- can become the first organization to raise an important issue;
- can attract public attention to new problems;
- can initiate a dialogue in the community about ways and opportunities of solving new or unnoticed problems;
- can use its funds to support start up activities in such areas, which have previously been abandoned by donors.

It is again not yet typical for community foundations in the USA to take such an approach. A community foundation is an intermediary and a funder, not a human rights or public pressure group. But it serves the whole community, not only those who give the money. And that is one of the most important things for community foundations – they have always to remember that they serve not only the wealthy but also the poor, not only the suburbs but the inner cities as well. Should community foundations be led by donors in their grant-making or lead donors and raise donor interest in important problems? In Russia, we know that community foundations will never make a difference in their communities, if they become donor driven. In the USA, this is still an open question.

### **Changing policy**

Several community foundations in the USA, however, have become involved in public policy issues in their cities and states. Should community foundations be involved in lobbying and political decision-making? The obvious answer is "no". But the experience of the New Hampshire Community Foundation shows that under certain circumstances a community foundation may play a role no other institution is able to play. A community foundation is able to reach circles of power, present important cases and remain non-partisan. In the end, in order to fight the causes of social problems, not just its symptoms, one needs to improve legislation and create fairer rules of the game.

But question remains, how far a community foundation should go in its efforts to change policies in its state, city or region. There is also a need to retain a non-partisan approach if, for example, major donors of the foundation are all members of the same political party. Political culture in the United States is well developed; there are certain ethical standards, which do not allow community foundations to cross the line between non-partisan influence on local policy and political games. But if we go beyond the USA, the active representation of community needs in front of governments and direct involvement in politics becomes a very serious issue. It is a particularly serious issue for countries in Central and Eastern Europe and in Russia.

## **Europe**

Community foundations in Europe are much younger institutions than community foundations in the USA and Canada. The first community foundations in Europe were created in the UK in the middle of the eighties. The different fabric of society in European countries, which traditionally is characterized by a much stronger role of the state and a more active giving by corporations, presents different challenges for community foundations, if they want to play an active role in their communities. Among those challenges are relations with the state and state funding, the very notion of “local” versus “national” or “European” and finally - a problem which seems similar to that in the USA – of acceptance and involvement of ethnic minorities. This problem, in particular, has been intensified in many European countries by increasing migration across national and cultural borders.

### **Replication of the welfare state**

There is one particular challenge in the relationship between community foundations and government in Europe. Should community foundations accept, manage and distribute government money? It could seem that the simple answer is “yes, of course”. The state remains the major donor of most non-profit organisations in Europe. The European Commission is the largest funder in the world. But at the same time, if community foundations in Europe become agencies for distributing government funds, what will be unique about them? Will they stop actively seeking support from individual local donors? Will they in fact remain local institutions, because in most European countries government funding has national or international scope and priorities and is rather allergic to a local focus?

Working as an agent for government could become one of the major challenges for community foundations in Europe. Instead of initiating and developing local giving, instead of involving more and more people in changing their communities, community foundations could become just another block in the welfare state system. One of the major challenges for European community foundations, therefore, is the recognition of civil society as the strategic focus of their activities. Community foundations have to rely on citizens in building their assets instead of catching the “easy carrot” of government funding.

### **Local versus national and European**

Another challenge for community foundations in Europe is to remain locally focussed. The efforts of the King Baudouin Foundation to build community foundations in Belgium and the experience of many community foundations in the UK show how hard it is to focus donor interests on local needs when their business interests and their life encompass the whole country. Community foundations in the UK continue to struggle for funding from corporations which are major players in the philanthropic market, but, in many cases, not interested in local problems. In Belgium, as elsewhere, individuals give not just nationally, but worldwide – to support aid programmes in Africa or in Asia. But while supporting programmes in Africa, citizens often do not notice huge problems in their local communities, either with the same people from Africa or Asia or among the Flemish and French themselves. Community foundations in Europe, therefore, are going to face a challenge of balancing wide interests of donors and their traditional priorities with the necessity to pay attention to local needs. An active role of community foundations could be “to promote” local needs and issues, to show that people can make a difference not only by sending cheques to the World Wild Life Fund but by supporting a nature preservation project in their own town.

### **Changing values of the community**

Finally, community foundations in Europe will have to face similar but just tripled challenges of involving national and ethnic minorities in giving. It is no secret that in many European countries national minorities live separated in isolated communities of their own and do not mix with others in their social life except at work and in schools. If community foundations serve the whole community, they should serve Turkish communities in Germany, African communities in Belgium and Indian communities in the UK. By doing so, they would learn a lot more about other cultures, but also run the risk of losing some of their current donors, and this risk in fact may be even greater than in the USA.

An easy way could be to seek EU or national government money for projects dealing with ethnic minorities. But this approach would, again, exclude other, especially local donors. In addition, this approach would result in programs “for” national communities and not programs “with” them. I think, a unique role of European community foundations in strengthening civil society would be bridging across communities of different origin and involving ethnic minorities and small nations in local giving.

### **Eastern Europe and Russia**

Community foundations in Central and Eastern Europe (CEE) are developing in an even more challenging environment. An emerging market economy, increasing social problems and the inheritance of the communist past – all these factors add problems but also value to community foundations in former communist states. Community foundations become not just vehicles for philanthropy, not only an alternative source of funds for local issues, but also one of the most active agents of change. In their efforts to build civil society,

community foundations in Central and Eastern Europe face a number of serious challenges which include the problem of balancing interests and power of different sectors in society, facilitating a dialogue between these sectors, providing access to giving for low income people as well as taking the initiative in local development instead of just funding programmes by others.

### **Balance of power**

Post-communist societies are still divided, not primarily by class but by sectors: the government sector, the business sector, and non-profit sector. In the past, the quality of life, privileges and power depended not on wealth or business success but on the position within the political hierarchy, a person's rank and connections with the state. This sectored structure of society is particularly strong in Russia. People working in different sectors have different interests and a different influence on their communities.

Therefore, one of the major challenges for community foundations in Central and Eastern Europe and especially in Russia is to balance influence and power of different sectors in the governing boards of community foundations, in donor circles and in grant-making. In Russia, in order to achieve that balance CAF Russia has suggested community foundations to adopt a so called "one third" principle in forming their Boards and grant committees: one third of a Board or a grant committee consists of representatives of the local government, one third of representatives of local business - which is the major donor of community foundations in Russia and CEE - and one third of local community representatives who are well known and respected by ordinary people - for example a respected teacher or a professor of a local university.

The experience of the first community foundations in Russia shows that such a "one third" structure is very successful. It prevented community foundations Boards and grant committees from being usurped by one of three sectors: local government, business or NGOs. At the same time it gave representation to every influential group in the local community.

But "the one third" principle is not enough. If formal rules are not supported in other aspects of community foundation development, such rules can be easily abandoned or become just a formal facade for control by one of the local powers. Our experience shows that this careful balance of power can be destroyed

- if a community foundation receives more than 60 % of it's funding from the state, either from local authorities or the national government. This is in fact a major problem for community foundations in CEE as well as in Russia, where individual or corporate donor capacity is minimal and community foundations apply to local or national governments for support. In Russia we advise community foundations to stay small if they cannot attract major funding from local business or individuals. There is no need to grow fast and become local "Ford Foundations" in terms of assets. Pursuit of bigger assets could cost community foundations their independence. Balance between public and private funding is one of the keys for independence and success of community foundations in CEE.

- if a community foundation relies on support from only one or two major corporations, or if it works only with those corporations which have close ties with local government. In both cases, the independence of that community foundation is in danger. A major company has its own interests in the local community. Giving most of the money or taking most of the seats on the Board will put a company in a position to dictate its own agenda to the community foundation. Even if this agenda is purely focused on charitable purposes, it is not the role of a community foundation to serve as a corporate giving project for one company. A community foundation serves the whole community. Dependence on one company is also not a sustainable strategy for community foundations. In the end, it was individual giving which brought prosperity and growth to community foundations in the USA, Canada and Europe. If community foundations in CEE and Russia continue to focus their efforts mostly on corporations, just because it is easier to get more money from them, they will lose in the long run. Balance between corporate and individual support is crucial for the sustainability of community foundations in the future.
- if community foundations depend on local NGOs in their development. Historically, in CEE and in Russia, many community foundations were created by NGO leaders and NGOs, not by donors. NGOs became in fact the driving force for community foundation development. But if a community foundation invites primarily NGOs to serve on its Board, or combines its grant-making with the function of an NGO support centre, it could easily run into a conflict of interest or become totally dependent on NGO views on local politics and needs. It is hard to imagine that in such case a community foundation will receive any substantial funding from local donors.

As we can see, community foundations in CEE and in Russia could easily become VIP clubs of the local elite or lobbyist support groups for NGOs in their regions. Yet, if they do not carefully balance their power and resources between different players in their communities in all aspects of community foundation work, their bridging role between the different sectors of society will be abandoned.

### **Bridging between sectors**

This bridging role, however, cannot be achieved just by careful assignment of seats on the Board or by a healthy combination of different funding sources. The different sectors in post-communist countries (especially in Russia) have very different views on community needs, priorities, and strategy. Even if we disregard the sharp differences in political views among people even in the region, we could still see that attitudes of local governments to, for example, social welfare reform could be very different from attitudes of local business. There is no generally accepted approach to solve social problems. Community foundations do play and can play the role of a mediator between sectors with respect to important local issues. Through their grant-making and discussions they can develop new ideas and model solutions for local problems and they can help local NGOs, local governments and business to

widen their views on the range of possible solutions. Bridging not only in terms of funding but also on policy issues is, therefore, one of the most important roles of community foundations in CEE and Russia.

### **Access to giving for different people**

One of the major problems of community foundations in CEE and Russia is the lack of individual giving. There are no wealthy widows or retired businessmen. In many regions, 80% of population are living just above and many below poverty level. They can contribute only \$1 a month or even a year to a community foundation (which would probably be comparable to donating \$100 or even \$500 dollars by a family in the USA).

Unfortunately, when it comes to individual giving, community foundations in CEE cannot learn effectively from community foundations in the USA or Canada. They can, however, learn from other charities who traditionally fundraise among the general public and who rely on wide campaigns for raising funds. But the campaigning approach to individual giving has its own challenges for community foundations. One cannot campaign successfully for many issues at a time. A successful private donation campaign should have a simple clear message and a concrete goal or it will not be successful. If community foundations in CEE follow this approach, they are running the risk of getting into serious competition or even conflict with other NGOs in the community. Furthermore, they are running the risk of total failure, because nobody will give money for an unclear subject or for competing grants.

But there is a way to attract individual money without competing with other NGOs and without focusing a community foundation programme on just one issue. It is to develop mechanisms for easy access to giving; to help people to create their own very small but still valuable donor advised or field of interest funds. It is hard to imagine a donor advised fund in the USA with only \$10 assets, but it could be an active and effective fund in Slovakia or Russia. The experience of the Togliatti Foundation which developed several mechanisms of access to giving via cash machines, with the help of a mobile phone company and a local Savings Bank, shows that providing easy access to giving in a country where almost nobody has credit cards or checks, can be a very successful strategy for raising individual funds for community foundations.

### **Conclusion**

As we can see from examples and observations above, the role of community foundations in fostering civil society can be understood in different ways in different countries and communities. But in all the examples mentioned, we can identify common traits which define a bridging role of community foundations:

- Access to giving and funding for different people and groups: Community foundations go beyond traditional or easily accessible circles of supporters. By creating opportunities for new philanthropists in the USA, involving ethnic minorities in giving in Europe or developing mechanisms



of giving for low income people in Russia, community foundations are building bridges across different sectors and classes of society.

- Initiators of dialogue: By initiating a dialogue on social reforms between business and local government in Russia, or by creating conditions for large corporations to be involved in local communities, as in the UK, community foundations can raise important or abandoned issues.

Community foundations, therefore, do not need to fundamentally change the nature of their work in order to become more active players in the development of civil society. This role is already part of the fabric of community foundations. They just need to remember that

- they serve the whole community and not just those who give the money;
- they listen to the community and report to the community and therefore their Boards and grant committees should reflect the diversity of their communities in terms of nationality, ethnicity, wealth and professional sectors;
- they are among the first to address new or abandoned issues, but they do so by encouraging others to solve those problems by using means of grant-making and discussion.

**Olga Alexeeva, Director, Charities Aid Foundation – Russian Office**