

# Southern African Grantmakers' Association (SAGA)



This case study includes a focus on the development of the first ten community foundation initiatives in South Africa.

## I *The Whole Organization*

### Background

The Southern African Grantmakers' Association is an independent, voluntary and non-profit association of organizations and individuals involved in funding development in Southern Africa. It was officially launched in April 1995 and incorporated under Section 21 of the Companies Act, after over two and half years of intensive consultative process and discussion among some of the major local corporate foundations, international private foundations and non-governmental organizations operating in South Africa.

### Mission and Objectives

In a country of severe social and economic inequities, characterized by mass poverty and pockets of massive wealth, SAGA's mission is to optimize the relevance, efficiency and impact of grantmakers.

SAGA:

- Promotes ethical practices in grantmaking;
- Conducts research and provides information relevant to grantmaking;
- Creates networks and opportunities for constructive partnerships between grantmakers, government agencies and non-governmental development organizations;
- Convenes fora for discussion on specific issues relating to development in general and grantmaking in particular, and enables mutual learning between grantmakers;
- Promotes increased and new forms of philanthropy;
- Establishes common ground from which members and grantmakers in general may speak to government, business and the voluntary sectors and acts as an advocate for their common interest; and
- Improves public understanding of what grantmakers can and cannot do.

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## Financial Resources

On March 31, 2001, SAGA received income from grants of R525 816 (US\$75,116), plus R274 855 (US\$39,265) in other income/sales. Its expenditure was R3 164 588 (US\$452,084). Extensions on previous years' unexpended grant funding made up for the shortfall in funding.

## Staffing

In mid-2001, SAGA had five staff members with two vacancies soon to be filled. The current staff are Executive Director; Programme Manager–Community Foundations; Administration & Finance Manager; Membership Co-ordinator; Receptionist & Administrative Assistant. The two posts to be filled are Personal Assistant to the Director and Communications Officer.

## Governance

The Annual General Assembly of members is the ultimate policymaking body of the Association. The Assembly elects a governing body (Board) that serves for a period of two years. Members of the Board are drawn from different membership categories and provinces and an effort has been made to have a representative Board in terms of gender and race. From the beginning, SAGA's Board has been its most valuable asset. The current members of the Board are from: South African Sugar Association (Chairperson); Community Development Foundation of Mozambique; Desmond Tutu Education Trust; Charles Stewart Mott Foundation; ABSA Foundation; Community Chest; McCarthy Holdings; and a Development Consultant.

## Membership

SAGA has about 80 fee paying members, including private Southern African grantmaking organizations (corporations, foundations and trusts); private foreign grantmaking organizations; community development foundations; individuals involved in grantmaking; and local and international statutory bodies engaged in grantmaking.

*South Africa is often described as a mixture of first and third world economies. The Gross National Product per capita in 1995 was US\$3,100, making South Africa a middle-income country in World Bank terms. But if the average annual income of less than R800 (US\$175) for black South Africans in rural areas is used as a measure, the country would be categorized among the poorest of low-income countries.*

*As a consequence of apartheid, South Africa has one of the most unequal distributions of income in the world. The average monthly income of white households was around R3,300 (US\$720) in 1990. During the same period, a typical black household (with ten people) was earning only 15 percent of this amount. Furthermore, inequality appears to be increasing and significant disparities of income are opening up among black South Africans. In general, the poorest South Africans continue to be black, particularly women and those in rural areas.*



# II

## *The Environment*

### **Economic and Political**

Past spending on health, education, pensions, housing, infrastructure and other social services was highly discriminatory. The present government, non-profit organizations, and the private sector thus face the enormous task of providing basic services for all South Africans.

The Government of National Unity (inaugurated in 1994) has emphasized the need for a system of checks and balances and a culture of openness. This emphasis has emerged partly from decades of close links between a vibrant nonprofit sector and supportive international agencies, which in no small measure helped South Africans to counter past regimes' repressive policies.

The perception that only a strong state can "deliver" what people need is matched by the perception by some members of the public that nonprofit organizations cannot make an impact on basic-needs delivery or welfare and other development programs. These attitudes not only inhibit local initiative but also contribute to reluctance by the public to contribute funds to nonprofit development programs.

### **Legal and Tax Frameworks**

Under current South African legislation, a nonprofit organization can set itself up as a trust, a voluntary association, or a Section 21 company. Each option has advantages and disadvantages. Trusts are governed exclusively by the provision of the trust deed, and there is limited state regulation. The fact that trusts are not publicly accountable may mean that donors prefer to make donations to a company rather than a trust. By contrast, the incorporation, regulation, and dissolution of a company is governed in minute detail by the comprehensive provisions of the Companies Act.

A Section 1 company is a special form of company that is incorporated as an association not for gain, whereas a Section 21 company may make a profit but cannot distribute its income and assets in any manner whatsoever to its members. The disadvantage of a Section 21 company is that the complex requirements and high setting-up costs make it an inappropriate legal form for many small grassroots nonprofit organizations. In addition, many nonprofit

organizations may need more freedom to choose how to structure themselves and run their organizations.

A nonprofit organization that wishes to establish itself without any state regulation can become a voluntary association. A voluntary association is governed by common law and is created by agreement between three or more people. It need not have a written constitution. As long as certain legal requirements are complied with—including the requirement that there is no profit motive—the constitution can make provision for any arrangement the nonprofit organization chooses. The disadvantage of voluntary association status is that donors may require a legal form that imposes greater control, particularly when large amounts of money are at stake.

Despite the range of legal forms above, there is no legal provision specifically for community foundations. At present, incorporating community foundations under the Trust Properties Act, building in a requirement for public accountability, serves the purpose.

Tax exemption applies only if a nonprofit organization can show that it is of an "ecclesiastic, charitable or educational" nature and is of a "public character." It has proved extremely difficult to bring a range of development institutions under this ambit. For example, the Department of Revenue considers educational institutions to be only those that promote a definite course of study. It takes a similarly narrow view of charitable organizations, considering "soup kitchens" and "orphanages" to be charitable in purpose, but not organizations concerned with uprooting poverty through helping communities to help themselves. This means that most nonprofit development organizations cannot obtain exemption. Some nonprofit organizations experience further difficulty because they are classified as "funds" rather than "institutions" and so fall under a more restrictive section of the tax acts.

Funders in South Africa, both local and foreign, feel strongly that the existing law is affecting the level of giving. Many donors do not fund organizations that do not have tax-exempt status. However, there are promises of legislative change.

### **Attitudes to "Philanthropy" and "Foundations"**

Until recently, there has been a general perception that the bulk of funding to nonprofit organizations in South Africa comes from individual sources. Many of these organizations

could raise money effectively from individuals precisely because they appealed to the white community where the bulk of their services were rendered. More recently, there are signs of change. For example, the Department of Welfare has estimated that up to 70 percent of (welfare) nonprofit organization funding comes from government. More generally, contributions to philanthropic causes are estimated as 78 percent from individuals, 15 percent from corporations, and 7 percent from private foundations and trusts (Southern African Institute of Fundraising).

### **Tradition of Voluntary Organizations**

South Africa has a wide range of voluntary organizations, some involving substantial numbers of volunteers. It is difficult to determine accurately the number of nonprofit organizations in South Africa, because there is no current mechanism for collecting data on the sector. In 1994, the Development Resources Centre and the South African Institute of Fundraising estimated that there were approximately 54,000 nonprofit organizations active in the country. Although this figure is still widely quoted, other estimates ranging from 45,000 to 80,000 organizations are also current.

Numbers of foundations are also hard to come by, but SAGA publishes a donor directory with 413 entrants. These include international and local private foundations, corporate, statutory grantmaking organizations, and smaller family trusts.

## **III Developing Community Foundations**

### **Background**

In light of the above, SAGA assessed the environment as potentially supportive of community foundations. There is a considerable level of giving and caring for one another, demonstrated by the number of nonprofits in the country that serve disadvantaged communities. There is individual wealth: 1 percent of the market capitalization of Johannesburg Stock Exchange is about R10 billion, 50 percent of wealth on the stock exchange is owned by individuals over age 55.

There are easily identifiable communities located in geographically demarcated areas. Communities are still

segregated along racial lines, although there is movement towards integration. South African communities are also politically divided. Realization that the future does not lie in politics and political power is beginning to surface, and the apolitical nature of the community foundation concept brings hope that communities can work on their own regeneration.

SAGA saw community foundations as having special importance in South Africa for these reasons:

*Building bridges in economically and geographically divided communities* will require engaging visionary leaders from all facets of community life. A community foundation can bring these leaders together to establish effective communication channels, identify shared values and expectations, craft ways of working together, and build trust across racial, political and economic divisions.

*Meeting massive development needs* will require concerted action at both the national and local levels and involvement of government, business and nonprofit development organizations. A community foundation can help focus attention on local development needs, leverage new resources, and encourage new alliances among key community actors. In addition, a community foundation can be a mechanism to consult with, and involve, poor and marginalized citizens in addressing local needs.

*Assisting with growing demands on local government*, as responsibility for the delivery of services has shifted from central government to the provincial and local levels. A community foundation can assist local government by helping identify emerging and changing needs in the community and by testing innovative and cost-effective ways to deliver services.

*Sustaining the nonprofit sector* in the face of a financial crisis as traditional sources of funding, primarily from international donors, have declined or shifted to other priorities; a less than favorable legal and tax environment, which limits the ability of nonprofits to raise funds from the public; and loss of skilled staff to the public and private sectors. A community foundation can help strengthen the financial and human capacity of local nonprofits, and assist them in sustaining current programs and developing new ones.



*Building on existing practices of giving and volunteering.*

A community foundation can recognize, nurture and encourage these existing practices and help stimulate the development of new forms of giving—of time, money and skills to address local problems.

*Assuming community leadership.* As a locally owned, controlled and financed entity, a community foundation can nurture local leadership and promote self-reliance, provide a forum for a variety of stakeholders to come to the table and discuss issues and options, and develop cross-sector partnerships among citizens, community groups, businesses, government, the media and other local players.

*Serving as a conduit of knowledgeable and equitable funding to communities* for individual donors, corporate and small to medium sized businesses, including government agencies.

Community foundation specific activities were created within SAGA to:

- Raise community, business and government awareness of the community foundation concept;
- Build the capacity of and train members of the Boards of Trustees to operate community foundations;
- Lobby government to create an appropriate legal environment for community foundations; and
- Position community foundations as conduits of funding and custodians of community funds.

### **Resources, Aims, Activities and Achievements**

SAGA has a budget of R1 200 000 for work with community foundations. This comes from three major U.S. foundations (W. K. Kellogg Foundation, The Ford Foundation, Charles Stewart Mott Foundation) and one South African foundation (Carl and Emily Fuchs Foundation). Community foundation activities are staffed by a Programme Manager, with additional support from a staff member who handles logistics such as travel for workshop participants.

Activities undertaken to date include:

- A study tour of U.S. community foundations for eight community foundation pilots' steering committee members, one member of the reference group, and two SAGA staff members.

- A presentation to the Parliamentary Portfolio Committee on Reconstruction and Development Programme in 1998.
- An international annual conference in 1999 focusing on community foundations.
- Basic data surveys for three community foundations.
- Situation analysis survey for one community foundation.
- Strategic planning workshops for five community foundations.
- Workshops on financial management, fundraising, grantmaking, endowment building, and community involvement.
- Baseline-assessment studies of all community foundations.
- Visits to four South African community foundations by an experienced U.S.-based community foundation consultant in 1999 and 2000.
- A visit and report on the program by a community foundation expert, working on an assignment for the World Bank.
- Reports/write ups on four community foundations by the media; SAGA articles in newspapers and other publications—also reflecting on the community foundation concept; two regional/community radio interviews; one television interview, plus news coverage of two launches.
- A community foundation program brochure.
- Publication of the community foundation 1999 Conference Report.
- Regular articles in SAGA's quarterly newsletter, with one full edition devoted to community foundations development.
- Two meetings and a donor forum with National Development Agency (NDA) representatives—NDA is a government development grantmaking organization.
- International community foundation network participation and relationships (e.g., WINGS-CF, Council on Foundations, etc.).
- The Africa Learning Group on Community Philanthropy.

After three years, the community foundation pilot program has achieved the following:

- Ten community foundation initiatives are in varying stages and states of development and progress; of these:
- Three have been legally incorporated (Uthungulu, Greater Rustenburg, and Greater Stutterheim);
- Two have been publicly launched (Uthungulu and Greater Rustenburg);
- Two have active, representative steering groups and a Board of Trustees (Goldfields and Greater Stutterheim) and planned to launch in 2001;
- Four are progressing slowly due largely to the absence of incubating organizations and other dynamics (Far North, Greater Pretoria Metro, Greater Middleburg, Umtata-Port St. John); and
- Two of the ten are relatively new (Umtata-Port St. John and Matshekgale-lesotho)

### The Ten Community Foundation Initiatives

#### 1. *The Uthungulu Community Foundation (Richards Bay)*

The Uthungulu Community Foundation initiative was one of the first to begin, in October 1997 when SAGA and Ford approached the Zululand Chamber of Business Foundation (ZCBF). In many respects, it is the most developed community foundation. Key achievements include:

- A representative and active Board of Trustees of ten elected in 1999;
- Three functioning subcommittees;
- A high profile public launch in mid-1999;
- The Zulu king as patron;
- Assets of R5.5 million (from Ford and Billiton);
- A full-time paid coordinator as of early 1999 to early 2000, and a full-time secretary;

- A full-time manager as of November 2000;
- A strategic planning workshop in 1999;
- A constitution, and registration as a voluntary association;
- Administration and management guidelines document;
- Asset and endowment management plan and advisor;
- A grantmaking policy and procedures document;
- A public forum of 18 members, including four representative who liaise with councils of chiefs in the four Uthungulu sub-regions;
- A vehicle, office, and equipment;
- An annual operating budget and the means to fund this;
- Development of an asset management and investment policy and model; and
- A striking, colorful logo/letterhead and quarterly newsletter.

The community foundation is substantially supported by ZCBF in use of ZCBF offices and facilities; management of community foundation finances, including the Ford grant; three key ZCBF Board members, including the CEO, on the community foundation Board; and contribution of a vehicle and computer.

Development of Uthungulu Community Foundation highlights a number of lessons, including:

- The importance of significant local financial backing;
- The dangers of a premature public launch;
- The value of a strong incubating organization and pioneer, but danger of control and over-dependence;
- The need to understand and consciously manage the changing relationship between a community foundation and its incubator/pioneer;
- The potential for dependence on an incubator limiting independence of the community foundation;



- The danger of grants to incubators on behalf of community foundations;
- The need for complete transparency between the incubator and community foundation Board regarding the foundation's affairs and finances;
- The need for commitment, money and organizational skills to make a community foundation effective;
- The fact that there is a limit to what Board members can and will do; professional support from incubator staff is necessary until a community foundation has its own staff;
- The need to involve community foundations fully in commissioning, designing and possibly even doing basic data surveys and situational/needs analysis (if these are considered necessary);
- The need for ongoing Board development and regular (at least annual) review and planning workshops that deal with strategic, organizational, policy and team issues; and
- The danger of complacency regarding gaining individual and other than big business support, involvement and contributions.

Uthungulu Community Foundation continues to face a number of challenges, including:

- Power relations between stakeholder groups on the Board, and whether it becomes donor and business or ZCBF or community driven, or a healthy, balanced and co-driven partnership. The need to deal consciously with relationship and team issues and tensions in order to mediate differences and build a strong united Board;
- Strengthening its identity and visibility independent of the ZCBF;
- Development of an appropriate relationship to ZCBF;
- Consensus regarding the above and the appropriate pace towards greater independence;
- Development of an appropriate relationship with SAGA;
- Policy regarding its role in development facilitation and development practice;
- Grantmaking policy regarding focus areas, and pro-active versus responsive grantmaking;
- Policy regarding conflict of interests, e.g., where Board members are involved in organizations or projects seeking grants;
- Coverage of a huge, very poor rural area;
- Effective communication (liaison via the public forum, and use of the community foundation's patron, mailing of newsletter); and
- Ongoing local and external resource mobilization.

## 2. *The Greater Rustenburg Community Foundation*

Rustenburg is a medium-sized town surrounded by rich platinum mines owned by large and wealthy mining corporations. Platinum has replaced gold as the major foreign currency earning export, making the Rustenburg region a growth area with significant economic resources, but also one to which many poor and unemployed people gravitate in the hope of finding work. The Rustenburg Community Foundation initiative started in March 1998, and is one of three that have developed furthest to become a registered trust /community foundation. Its key achievements include:

- A Board of Trustees with 11 members, elected January 2000, reflective of the community and with needed capacities;
- Monthly Board meetings;
- Five functioning subcommittees;
- A high profile public launch in June 2000;
- Friends of the community foundation (database and information letters, but no regular meetings);
- A strategic planning workshop for the Board, resulting in plans and a budget for 2000;
- Three on-site policy development workshops;
- Policies for asset management, grantmaking and fundraising;
- Received grant of R1 100 000;
- Local community contributions of approximately R10 000;
- Pledges of approximately R500 000 from outside donors;

- Purchase of a house for offices and as an asset, with plans to rent part of the premises for a regular income;
- R500 000 grant to Rustenburg Community Development Centre on behalf of Impala;
- R200 000 channeled to a local nonprofit organization via the Rustenburg Community Foundation by Amplats;
- Good general community awareness from high profile launch and use of local media;
- Logo/letterhead;
- Support from key business people, nonprofit organizations, and most tribal leaders; and
- Needs analysis research by a Community Development Centre staff member on the community foundation Board.

Apart from employing staff and developing a fundraising plan for additional funding from local and outside sources, its tasks ahead include establishing a regular forum for interaction with leading community members and supporters; developing a brochure; increasing local awareness and contributions, both corporate and from individuals; and starting to make grants.

The key challenges for Rustenburg Community Foundation include:

- Power relations within and between stakeholder groups on the Board, and whether it becomes donor and business or community driven, or a healthy, balanced and co-driven partnership;
- More equal participation in meetings, and a chair to facilitate this;
- Strengthening its identity independent of the Community Development Centre;
- Development of an appropriate relationship to the Community Development Centre as incubator;
- Development of an appropriate relationship with SAGA;

- Policy regarding its role in development facilitation;
- Understanding and policy regarding development practice; and
- Whether to act as a conduit and manager of a specific grant by an external funder.

### 3. *The Stutterheim Community Foundation*

The Stutterheim Community Foundation started in April 1998, and is one of the three community foundations that has progressed furthest to become a legally registered Section 21 organization and community foundation in August 1999. The Stutterheim Community Foundation is located in a small rural Eastern Cape town, which, unlike Richards Bay and Rustenburg, lacks any significant local industry or wealth. Though the town is resource poor in this respect, it is unusual in that there are capable people with development experience, and relatively strong relationships between previously divided communities, largely connected to the Stutterheim Development Foundation (SDF) and its history. Indeed, it was as a result of these factors that this became a site for a community foundation.

This community foundation was incubated initially by Stutterheim Development Foundation, a well established and very successful development nonprofit organization. However this role was taken over by a retired volunteer pioneer/coordinator with his own resources, who made a significant contribution in leading and driving the community foundation, but subsequently resigned. Stutterheim Community Foundation has established an office away from its incubating organization, though it does not have any staff or the resources to employ them at this stage.

Achievements to date include:

- A representative, committed Board of 13;
- R100 000 grant from the Fuchs Foundation (a private foundation);
- Own office and equipment (R50 000);
- Small grants totaling R25 000, and R25 000 for operating costs;
- Strategic planning workshop and plan;



- Operating budget in place (until the end of 2000);
- A comprehensive funding proposal to the U.S.-based international private Foundation;
- Regular monthly reporting to an existing community economic development forum.

The challenges faced by the Stutterheim Community Foundation include:

- Contributing to the rekindling of a widely shared vision in and for Stutterheim;
- Facilitating real links and cooperation between white better off and black poor communities;
- Obtaining outside funding to employ staff and start operating;
- Developing local support and contributions, and innovative ways to achieve these; and
- Beginning to make meaningful, developmental grants.

Its key tasks ahead include: mounting a facilitated Board workshop for strategic review and planning, policy development and dealing with other key issues; developing both policies on grantmaking and a fundraising plan and implementation; and developing a graphic logo, letterhead and a better brochure. In addition, Stutterheim Community Foundation may coordinate discussions to address the closure of the sawmill and loss of jobs.

#### 4. *The Greater Durban Metro Community Foundation*

This is the only one of the ten community foundation initiatives that was not initiated by SAGA, but its representatives did approach SAGA about joining the pilot program. The Durban community foundation initiative started in September 1999, on the request of its subsequent coordinator/pioneer, a staff member of the Durban Metro Council (DMC) Economic Development Department, which is, in effect, acting as incubator. However, what is significant is the support and patronage of the mayor, and the intention to maintain formal Durban Metro Council representation on the community foundation Board once it is formed. This close relationship with local government is a unique feature of the Durban community foundation initiative.

Durban community foundation achievements include:

- A representative, functioning steering group;
- Durban Metro Council support and incubation;
- A capable and committed coordinator;
- A concept document;
- Pledges by ten major businesses to commit 30 per cent of their community social investment budgets to the Durban Community Foundation; and
- The mayor as patron.

The Durban community foundation also faces a number of challenges:

- The danger of thinking too big, being too idealistic, and playing for stakes that are too high;
- The danger of Durban Metro Council and big business “hijacking” it (the proposed name—The Durban Social Investment Agency—already puts business’ stamp on the initiative);
- The level/scale/type of development the Durban community foundation is aiming to get involved in—raising questions as to whether a fledgling community foundation (or even a developed one) is an appropriate vehicle to fund the major development projects that business want to fund. The business sector wants to rush the process and see projects soon;
- The need to develop a community foundation that focuses on community foundation core business;
- Getting the Board and the basics in place;
- Representation of the Indian community;
- When to move away from Durban Metro Council.

*Its key tasks ahead include:* forming a high level Board of Trustees, including the mayor and top business and community leaders, Board capacity building and a strategic plan; finalizing and registering the trust deed; developing a public forum and media communications strategy, including a brochure, logo and letterhead; obtaining funding for operating costs from local sources, opening an office independent of Durban Metro Council, and hiring staff.

## 5. *The Goldfields Community Foundation*

The Goldfields Community Foundation initiative started in May 1998 when SAGA approached members of the Welkom Development Forum (WDF), a community based structure. The initial group consisted of people with needs hoping to obtain resources, but did not involve people from other stakeholder groupings with resources, and only the immediate area of Welkom was involved. Unlike most community foundation initiatives, they also saw civic and political organizations as key stakeholders.

In the first year, little progress was made in involving wider representation. In May 1999, one of the group approached the director of the Goldfields Metro Community Development Corporation (GMCDC), a housing development nonprofit organization, who agreed to assist, though very committed in other respects. She began attending the SAGA community foundation program workshops, and for the next year tried to form a steering committee, but people who came didn't stay when they realized there was no money to be had in the short term.

After struggling to make headway, the Goldfields Community Foundation Initiative has begun to make significant strides in 2001, achieving the following:

- A new, committed steering committee of competent and appropriate people;
- An incubating organization;
- A committed and capable pioneer;
- A part time secretary/coordinator (a Goldfields Metro Community Development Corporation staff member);
- A strategic planning workshop; and
- The possibility of a significant grant from a U.S. company.

*Its major challenges include:* involving the mining companies and key local business leaders; as well as developing local government and wider awareness, support and contributions.

## 6. *The Greater Pretoria Metro Community Foundation*

The Pretoria Community Foundation initiative started in May 1998 with SAGA approaching the Pretoria Development Trust (PDT) to act as an incubating organization. This initiative, together with Durban, is one of two in metropolitan areas surrounded by large peri-urban and adjacent rural areas. Both are thus in communities of millions, and this poses particular difficulties as well as opportunities.

The Pretoria Community Foundation initiative started with the enthusiastic support of the Pretoria Development Trust, who invited people to an initial public meeting in December 1998, at which a steering group of 12 people from the nonprofit/community business sector was formed. The group did a strategic planning workshop facilitated by the Pretoria Development Trust director, which clarified the vision mission, values and objectives. It was a priority plan to gain the support of other stakeholder groups, but this has not occurred to date. This group continued to meet monthly during 1999, with the Pretoria Development Trust project manager acting as coordinator.

The potential and necessary ingredients for a community foundation were there, including a suitable incubator and pioneer, but were not drawn together. Reasons appear to be a lack of commitment, with the Pretoria Development Trust people being unable to contribute sufficient time and energy, and seeing SAGA as being insufficiently committed to provide or arrange what was perceived as necessary seed funding. The initiative was then left in the hands of a small unrepresentative community-based task team without the capacity to constitute a more broadly representative steering committee.

The Greater Pretoria Metro Community Foundation initiative highlights the need:

- For a committed and involved pioneer leader/coordinator directly involved in the learning process;
- To develop a sufficiently strong and representative steering committee as early as possible;



- To involve sufficient people with resources, not just those needing resources; and
- To clarify and agree upon mutual expectations early in the process.

This initiative raises a number of important questions for SAGA, including the extent to which SAGA should intervene directly to support community foundation initiatives where they are struggling; whether embryonic community foundations should have to show they can do it themselves and/or how much and what kind of support is appropriate; and whether SAGA has the capacity to provide individualized support.

#### 7. *The Nyandeni/Umtata Community Foundation*

The Nyandeni/Umtata Community Foundation initiative started in late 1999 when a Kellogg Foundation representative introduced the concept to the manager of the Kellogg-funded Nyandeni Development Programme (NDP) in the Transkei, though SAGA also approached the NDP directly. The Nyandeni Development Programme was itself relatively new, being developed by a large and well established local nonprofit organization. At first the intention was for the Nyandeni Development Programme to become a community foundation, though it is a development project facilitation program. This was still the case at the time of the baseline study in April 2000. The Nyandeni Development Programme had its own steering group with the intention of developing into an independent organization, and this group served, and largely still serves, as the community foundation steering group.

More recently, and as a result of attending SAGA training workshops and learning forums, and interaction with SAGA, members of the steering group realized that the transformation of the Nyandeni Development Programme into a community foundation was not appropriate due to its limited geographic focus, limited representation and largely grant-seeking nature. They then identified about 15 people as suitable members of an extended steering committee, though none have yet been invited to join. The initiative is thus still one of a fairly closed and limited group, that has also lost its impetus on realizing that it was not appropriate to transform their organization into a community foundation. The incubating function was also weak and unclear as it developed at the level of the Nyandeni Development Programme and its manager, which was

itself being incubated by another nonprofit organization (ACAT).

However, a unique factor is Kellogg's involvement as a funder of both ACAT/Nyandeni Development Programme and the community foundation pilot program, and it may be worthwhile for SAGA and Kellogg to approach the new ACAT director as a potential pioneer coordinator for the community foundation, with ACAT as incubator. The area, though generally resource poor, is not completely without resources, as some professional, university and business people are to be found in Umtata. This community foundation initiative needs to be restarted, which will require SAGA to find a suitable pioneer, and help with involving other appropriate and leading people from different sectors.

#### 8. *The Far North Community Foundation*

The Far North Community Foundation initiative started in April 1998 at Thohoyandou, in the Northern Province, which is one of the poorest in South Africa, with 47 percent unemployment. The town itself is an ex-homeland capital whose fortunes have declined with integration, and it lacks any significant economic resources. This community foundation initiative has lacked an incubating organization and thus the basic resources that incubators provide to get a community foundation going. It was hoped that the local council would play this role, but this did not happen. The steering committee has suffered a number of leadership changes and is not representative of all communities and stakeholder groupings, particularly the limited white and business communities that are largely conservative, or the university and local government. An attempt has been made to broaden it by starting a group in Louis Trichardt, about 80 km away. Meetings and communications are difficult for people who lack resources, with only small business people involved.

This community foundation initiative lacks seed funding, an incubator and coordinator with a contact office and equipment, and has not sufficiently achieved the first stage of forming a capable and representative steering committee. No local workshops have been held and a basic data survey has not been done. Members have collected R1 665 among themselves, which is commendable, and continue to attend SAGA workshops, but in two and a half years little progress has been made.

Steering committee member commitment has also been a problem, with some members hoping to access resources through their involvement, and losing interest when they saw this was not happening, or on being asked to contribute themselves. The initial 20 steering committee members have dwindled to 15, but only half of these attend meetings. The steering committee has held six meetings in all this year, and tries to meet quarterly, which is unlikely to generate the momentum necessary to establishing a community foundation. Members of the committee believe that they are ready to select a Board, and register and launch a community foundation, but this is not realistic as the basic stages of community foundation development have not been achieved.

This community foundation initiative acted as conduit for donation of R50 000 from the Fuchs Foundation to the local council for assistance to flood victims in the area. This occurred at a public event with the intention of creating visibility for the community foundation initiative, but did not change its lack of basic community foundation critical success factors. The council has also failed to account to the initiative regarding the actual expenditure of these funds to date.

#### 9. *Greater Middleburg Community Foundation*

Middleburg is a medium-sized, reasonably well resourced industrial town, similar to Rustenburg, Richards Bay and Welkom. It thus has the potential to generate adequate local funding and sustain a community foundation.

The Middleburg initiative started in March 1999 but is effectively on hold throughout 2000. At a third public meeting in February 2000, a steering committee of 11 members, widely representative of local communities and stakeholders, was elected. The mayor and council strongly supported the community foundation initiative, and a Middleburg Forum and Foundation had already been established, though the latter was subsequently dissolved. The steering committee had only one meeting before the mayor, who was playing a key role in driving the community foundation initiative, died in May 2000. Since then, the steering committee has not met and has lacked a pioneer coordinator to lead the initiative. An incubating organization is also lacking, though the council had begun to serve as such while the mayor was involved.

The Middleburg Community Foundation is thus not active, though it had achieved a representative and capable steering committee. Links with SAGA have also been weak since May as the mayor had attended SAGA workshops, while the subsequent contact person has not, and in addition did not see himself as driving the initiative. As yet there have been no local workshops and the nascent community foundation only reached the first development stage, petering out during the latter half of 2000.

At the time of the baseline assessment in March, it seemed that this community foundation was moving fairly quickly toward formalization. The loss of the key driving person resulted in a sudden halt to progress, demonstrating just how crucial the pioneer is in most initiatives, particularly of a voluntary nature. It did, however, start in an area with good potential and a viable steering committee was constituted. There is also a mayoral fund of R350 000, plus R40 000 from the now defunct Middleburg Foundation, which may be available as seed funding for a Middleburg Community Foundation. In addition, representatives of five large local corporations were introduced to the community foundation concept and expressed interest in a follow-up meeting with SAGA. For these reasons it may well be worth while reviving, if a suitable pioneer and incubator can be found. This is the key to re-starting this community foundation initiative, a process in which SAGA will need to take the initiative.

#### 10. *Lesotho/Matshekga Community Foundation*

This initiative is the most recent, having started in February 2000 in the Matshekga region in the north of Lesotho. This is a resource poor, completely rural area consisting of 80 villages involved in subsistence farming. There is no town or industry, though the Highlands Water Scheme which involved significant investment is in the area, and apparently has funding for projects. Though the community is otherwise homogeneous, there are tensions between rival political parties. There are also natural tensions and suspicion regarding South Africa. There is minimal local infrastructure, and local governance is in the hands of chiefs and a central government controlled district council. The only other significant stakeholder grouping is the



churches. There are no nonprofit organizations or funders active or based in the area, though a University of Lesotho extension project is interested in becoming involved.

This community foundation is being developed on the basis of an existing association of 11 agricultural and burial cooperatives which pool money for use by members. Each group has its own account, and the idea is to pool these under the proposed community foundation, which is seen as a way of accessing additional resources from outside the area, and of developing a source of sustainable development funding. A key person is the pioneer and leader of the cooperatives association, and his commitment to pioneering the community foundation will be important to its success. At the time of the baseline assessment, the proposal was to develop a nationwide community foundation, but this has not been pursued and the initiative is currently focused on one of nine regions. The Lesotho Community Foundation has a steering committee of 11, with a key chief as an ex officio member. Various members have attended SAGA workshops but the leader of the cooperative association has not been directly involved, which is cause for concern.

This initiative is unique in being in a completely rural and traditional area, and being developed on the basis of an existing local savings scheme. An issue of concern is that the nature and objectives of the cooperatives do not coincide with those normally associated with a community foundation. People are saving jointly for very specific purposes and have control over their own money. Will the 11 groups be willing to pool their money and give up control of it to a community foundation Board? Will they have access to the money when they need it and for the purposes for which they saved it? Very specific and formal agreements will probably be necessary to safeguard the interests and rights of participating groups. It seems that the political undercurrents and differences and resulting distrust may hinder the process, which requires a far higher degree of trust than for other community foundation initiatives, as very poor people are being asked to commit their own limited and hard earned savings. However, if this can be accomplished, and the community foundation established, there is a possibility that it could become a conduit for development aid funding, which will be essential if it is to gain sufficient resources to be cost-effective.

This initiative, situated in probably the poorest area, is unlikely to become a community foundation based on the classical model, but appears to have the potential to develop further. It is however at an early stage, and the critical success factors will be the full involvement and commitment of the pioneer coordinator, and of a donor willing to fund the enterprise.

### **Critical Success Factors**

It is apparent that the community foundations participating in the SAGA pilot program represent a cross-section of communities within South Africa, both urban and rural. Each would appear to be facing context-based issues and challenges, requiring novel approaches and solutions. But some themes emerge:

- *Understanding of the Community Foundation Concept.* In general, understanding of the community foundation concept is low among the representatives of the various structures participating in the program. This comment also holds true for members of governing bodies (Steering Committees and Boards of Trustees).
- *Representation.* More successful steering committees are fully representative of their communities, including all categories of local structures and races. Those who are not are almost exclusively black, seem to accommodate some unemployed members (apparently searching for something to keep themselves busy), or attract members on the basis of past connections.
- *Links with the Business Sector.* Efficient steering committees have strong links with the business sector, while less efficient ones do not seem to have access to local/other sources of wealth.
- *Political Impartiality.* Inefficient steering committees continue (even if covertly) to perceive the community foundation as a “political vehicle” and hence cannot demonstrate its impartiality with any level of credibility. Conversely, successful steering committees demonstrate that they themselves have crossed the “racial/political divides” that form part of the roles of community foundations in this country.
- *Leadership and Commitment.* Those steering committees that have strong, visionary leaders seem to generate commitment from their teams and consequently show the best progress.

- *Community and Stakeholder Participation.* The community foundations have, generally, not yet succeeded in obtaining broad-based community participation. In most instances, it is too early in the process to have embarked on large-scale community awareness campaigns. However, all the steering committees are planning to involve their local communities.
- *Infrastructures and Incubators.* Emerging community foundations are inhibited by a lack of infrastructure, a factor which seems to frustrate some of the steering committees and manifests itself as a criticism of the SAGA pilot program. It is also apparent that the stronger the incubator, the more the steering committee is enabled and empowered to “get to the job done.”
- *Strategic Positioning and Operational Planning.* In general, those steering committees/Boards who have, or are in the process of conducting, strategic planning exercises also seem to be progressing faster in terms of organizing their operational processes.
- *Funding.* Those community foundations that have obtained funding have managed to do so mainly from international funders, with some limited local involvement (mainly from two South African corporations and one grantmaking foundation). None of the community foundations have progressed to the level of generating “community money” and it is envisaged that this factor will shortly come to play a significant role in obtaining local business funding.
- *Founding Incorporation, Legal Status and Taxation.* This aspect in the process of establishing a community foundation requires considerable assistance from SAGA, in the absence of prototypes or standard documentation, relevant to the South African context (such as a Deed of Trust, etc.), as well as in light of the professional expertise required to attend to applications for tax exemption, etc. (which is an unfamiliar aspect to most participants).
- *Grantmaking.* None of the community foundations are yet in a position to make any grants (with the exception of one that acted as a conduit for a grant received to assist flood victims in one province of the country).

#### **4. Key Tensions and Challenges in Developing/ Supporting Community Foundations**

In summary, SAGA offers some of its key learnings:

- *Gaining Acceptance of a New Concept.* The concept of community foundations is new in South Africa and is not yet fully understood by the participating groups. For example, the idea of giving money and time to this process at a time when local populations are expecting their government and donors to step in and help seems contradictory. This is coupled with extreme poverty in the midst of plenty and it does not seem to make sense to expect local people to contribute to development. Expectations for people to volunteer their time for committee meetings at a time when unemployment is so high seem unrealistic.
- *Difficult Political and Racial Bridges to Build.* The existing political and racial differences are clearly very difficult to negotiate. While it is difficult enough to work across racial boundaries, the situation is made complex by strong differing political affiliation. The ability to build trust and bring different stakeholders to the table takes time and great skill. It is so important to get the relevant stakeholders on board because each has resources and assets that will play a significant role in the success of the community foundation.
- *Lack of a Supportive Legal Environment.* Unlike in many developed countries, the current tax laws in South Africa do not provide incentives for individuals or corporations to give to the civil society sector. While there is work underway to liberalize these laws, it is not clear how long it will take and whether the new laws will provide the required incentives to release funds for community development, build permanent endowments and provide an appropriate legal framework for the registration of nonprofits like community foundations. It is, for example, required that most of the profits be spent and only 25 percent may be reinvested.



- *Current and Future Needs.* While a few endowments exist in South Africa, the concept is not fully understood and the tension between current needs and saving for the future makes it difficult for many to see logic in saving for the future. There is little knowledge of how an endowment might be built or what the sources of funds might be. It will, therefore, be imperative for community foundations to continue educating different audiences about the role of endowments.
- *Limited Tradition of Organized Philanthropy.* While some forms of philanthropic tradition exist (letsema/ilima/stockvels/burial societies—emphasizing joint savings for the future)—there is not a strong history of organized philanthropy and a culture of giving for social good by the wealthy. Encouraging giving by wealthy families and individuals has great potential in South Africa and could be a source of enormous resources for development and the nonprofit sector in the future. This will, however, take time and work to ensure that all the stakeholders see the benefit of getting involved in this process.

Future development of community foundations will be greatly facilitated if there is a conducive tax regime specifically to encourage giving; economic growth and reduced unemployment; an increased culture of giving, related to greater community integration, a reformed tax structure and greater awareness of the degree of poverty in the communities; greater community cohesion and social capital; better governance, decreasing fragility and lack of experience in government, and a constitution that respects human rights; strong public/private/community partnerships with all stakeholders working together to address community problems and learn about each others' needs; and strong civil society organizations to strengthen democratic institutions.

More specifically, development of community foundations in the next five years in South Africa requires an appropriate legal environment; more local donors understanding the concept of community foundations and helping to mobilize resources through providing matching grants; and resources to build greater institutional and community capacity, especially in disadvantaged communities.