



**Corporations, Community, Private-Public Sector
Partnerships (PPPs) and Community Foundations:
the South African Case**

Fikile B. Kuhlase

Senior Manager: Socio-Economic Development Specialist
Industrial Development Corporation
South Africa

Senior International Fellow
Center on Philanthropy and Civil Society
The Graduate Center
The City University of New York

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Glossary of Terms:

Philanthropy - desire to help mankind, as by gifts to charitable or humanitarian institutions

Charity – in Christian Theology it is the love of God for man or of man for his fellow men; an act of goodwill, a voluntary giving of money etc. to those in need; a welfare institution/organization

Corporation – a group of people who get a charter granting them as a body certain of the legal powers, rights and liabilities of an individual

Corporate – to make into a body; of a corporation; shared by all in-group.

Civil Society – Third sector comprising of citizens and non-voluntary sector (first sector is Government and the second sector is the private/business sector); activities that engage individuals in recognizing their rights and responsibilities as citizens within a democracy

EXECUTIVE SUMMARY

The paper discusses the emergent trend of corporations supporting community foundation-like organizations (henceforth referred to as community foundations). It will highlight the strategic intervention of the Industrial Development Corporation of South Africa (IDC). The IDC is a development finance institution established in terms of the Industrial Development Corporation Act (Act No. 22 of 1940) as amended. The South Africa Government through the Minister of Trade and Industry is the sole shareholder of the IDC. The IDC is the first corporation in South Africa to adopt the community foundation concept as part of its strategy for socio-economic transformation and what in South Africa is known as “broad-based” black economic empowerment (BEE), a strategic intervention by the South African Government aimed at economic transformation; as well as increased management, ownership and control of the economy by historically disadvantaged South Africans and alleviating poverty. The community foundations take up an equity stake in the IDC-funded projects. Currently six community foundations in South Africa are supported through the IDC Foundation Fund of R50 million (fifty million South African Rand) established in 2003.

A comparative analysis of philanthropic collaborative efforts of the three sectors: civil society, private and public sectors through community foundations in ten countries was conducted through desk research. Lessons learnt are drawn from these countries on collaborative philanthropy and linked to address the challenges of the IDC supported community foundations (community development foundations). The IDC subscribes to the “triple bottom line” corporate governance principle of integrating economic, social and environment performance in business, and thus supports that Corporate Social Investment (CSI) is not periphery to business activities but at the core. The IDC is tasked with fulfilling a developmental mandate including redressing inequalities created by apartheid or the patriarchal system of “separate development” in South Africa. The IDC mandate extends to the rest of Africa.

The IDC’s boldness in co-investing in community foundations is social entrepreneurship. As IDC is an organization about creating wealth through entrepreneurship it is imperative that social entrepreneurship is integrated, as social entrepreneurship is a catalyst for social transformation. The author argues that if community foundations are to contribute to sustainable development, poverty reduction, peace building, social cohesion, social justice, reconciliation and restoration of human dignity this is only possible through **meaningful cross-/multi-sectoral partnerships**, where the community foundation is at the center of a tripartite alliance between civil society, private and public sectors. Community foundations have ‘soft’ power and are well positioned to take the lead in forging mutually beneficial partnerships of the three sectors and promote common good.

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Corporations, Community, Private-Public Sector Partnerships (PPPs) and Community Foundations: the South African Case

1. INTRODUCTION

This paper will discuss the emergent trend of corporations and development financing institutions supporting community foundation-like organizations. It will highlight the support for community foundation-like organizations of South Africa's Industrial Development Corporation (IDC). The use of the description, "community foundation-like" arises from the underlying assumption of this research that the support is for indigenous community foundations which may not take the form of 'typical' community foundations, but have been adapted to be applicable to the South African context. These will be described in the paper and from henceforth will be referred to as community foundations. The paper will then elaborate on the enabling environment created by the South African Government. As The World Bank is also a development financing institution, the paper will highlight its Community Foundation Initiative, which has led to the establishment of the Global Fund for Community Foundations. This global initiative will be played off the IDC's national community foundation support initiative, bearing in mind that the IDC also has a regional mandate that extends to the rest of Africa. The paper aims to present a comparative analysis of philanthropic collaborative efforts of the three sectors: civil society, private and public sectors, government constitutes the first sector, business the second and non-profits the third or voluntary sector. The paper will draw on lessons learnt by other countries, corporations, business, government and civil society organizations on collaborative philanthropy.

2. BACKGROUND

2.1 The IDC – Bridging the Dual Economy Divide

The IDC is a development finance institution established in terms of the Industrial Development Corporation Act (Act No. 22 of 1940) as amended (the IDC Act). The South Africa Government through the Minister of Trade and Industry is the sole shareholder of the IDC. The IDC is the first corporation in South Africa to adopt the community foundation concept as part of its strategy for socio-economic transformation and what in South Africa is known as "broad-based" black economic empowerment (BEE). Broad-Based BEE is a strategic intervention by the South African Government aimed at economic transformation; as well as increased management, ownership and control of the economy by historically disadvantaged South Africans; decreasing income inequalities; alleviating poverty and increasing the black middle class. The IDC supports the establishment of community foundations through the IDC Foundation Fund established in 2003. IDC is a state-owned self-financing development finance institution that focuses on contributing to sustainable

economic growth, industrial development and economic empowerment through its financing activities.

Currently there is growing local and global pressure to focus directly on the communities in which organizations operate in line with corporate governance principles. These have much to do with the “triple bottom line”¹ and Corporate Social Investment (CSI) not being periphery to business activities but at the core. The IDC subscribes to corporate governance principles. The IDC’s core objectives are job creation, promotion of entrepreneurship, facilitating black economic empowerment, encouraging social transformation, small and medium enterprise development, regional development through township development and targeted focus on rural and poor provinces and African development. IDC is a state-owned enterprise/agency. State-owned² enterprises engage in CSI as an extension of their government mandate...CSI is not simply about providing resources where there are needs. Since it is about social justice, we need to engage in advocacy and lobbying. This calls for a willingness to challenge power differentials by ‘speaking truth to power’ – whether that power is exercised by the public sector or by the private sector.

The IDC is tasked with fulfilling a developmental mandate including redressing inequalities created by apartheid or the patriarchal system of “separate development” in South Africa. The system of apartheid institutionalized inequality and used race to demarcate and justify differential allocations of power through a ‘divide and rule’ policy. Race was based on social and political meanings. What emerged from the ‘separate development’ is a dual economy inherited in 1994 by the new democratic dispensation. The dual economy comprises of the 1st and 2nd Economies of South Africa, the 1st being the developed and the 2nd being the under-developed. Community foundations operate in the 2nd Economy with major backlogs and challenges to be addressed. The challenges ahead necessitate that all South Africans play a meaningful role in finding solutions to the great divides of our past – race, poverty and gender. South Africa continues to live with the legacy of apartheid, which resulted in inequalities in society and divided communities.

“Growth of our economy should be measured not merely by returns that accrue to investors or job opportunities to those with skills. Rather it should also manifest in the extent to which the marginalized in the wilderness of the 2nd Economy are included and are at least afforded sustainable livelihoods” (President Mbeki, State of the Nation Address, 11 February 2005, Cape Town, South Africa).

¹ John Elkington of the UK-based organization SustainAbility coined the triple bottom line as a business concept referring to corporate attainment of balanced and integrated economic, social and environmental performance.

² Triologue: *CSI Handbook*, Triologue Cape Town, South Africa, 2005 pp. 40,187

Thus the IDC has adopted a number of innovative and creative approaches to address the inequities of mainly the 2nd Economy, among them, the IDC Foundation Fund being one of these development-funding approaches. This fund extends the IDC reach to communities through supporting the establishment of community foundations that take up an equity stake and become shareholders in IDC-funded projects. The equity stake facilitates ownership and broad-based BEE and the community foundations accelerate socio-economic transformation, build social cohesion, promote social justice and build social capital. A community foundation is defined³ as:

“An independent philanthropic organization working in a specific geographic area which, over time, builds up a permanent collection of endowed funds contributed by many donors; provides services to those donors; makes grants and undertakes community leadership activities to address a wide variety of current and long-term needs in its service area”.

2.2 IDC Foundation Fund

The community foundation concept has been adapted as applicable to varying social, political, economic and cultural contexts. This process of adaptation, applicability and replicability is widely explored in the IDC strategic initiative. Currently six community foundations are supported through the IDC’s R50 million (fifty million South African Rand, approximately US\$8 million) Foundation Fund established in 2003, three in the Western Cape Province, one in Mpumalanga Province, one in KwaZulu-Natal and one in the Eastern Cape Province, with equity stakes (shareholding/ownership) ranging from 3% to 49%. These are long-term social and financial investments, where the dividends will flow directly to the community foundation. All are still in the initial stages of formation and operationalisation. The IDC Foundation Fund co-invests with various strategic business units of the IDC, which are sectorally based. The IDC incentivises its clients to link up their projects with community foundations. The IDC client/project promoter/entrepreneur whose project is linked to the community foundation covers the operational costs for a minimum of three years and provides office space in-kind. Exit strategies are developed for those community foundations that are incubated by other organizations. Clients are also encouraged to link up their social responsibility programs with the community foundation. The IDC assumes ex-officio status on all the Boards of Trustees for a minimum of three years to monitor progress, reach and sustainability.

The IDC’s boldness in co-investing in community foundations is social entrepreneurship. As an organization about creating wealth through entrepreneurship it is imperative that social entrepreneurship is integrated, as social entrepreneurship is a catalyst for social transformation. Social

³ Suzanne Feurt, *International Perspective Models, Experience and Best Practice*, 1999 pp. 24-25

entrepreneurs are leaders in the field of social change, and can be found in the private, public and not-for-profit sectors. They are social innovators that combine an entrepreneurial spirit with a concern for the **'social' bottom line**, as well as the economic one. A social entrepreneur thrives on a commitment to leading through inclusiveness of all actors in society and a dedication to changing societal systems and patterns. Social entrepreneurs are said to be the flame that ignites the fire of social transformation. Social entrepreneurship is a unique approach to social problems that cuts across sectors and disciplines. Within corporates, social entrepreneurship encompasses activities emphasizing the importance of a socially engaged private sector, and the benefits that accrue to those who 'do well by doing good' and it encourages more entrepreneurial approaches in the not-for-profit sector in order to increase organizational effectiveness and foster long-term sustainability. It was previously about the 'dual bottom line', which refers to ensuring that investment generates both economic and social rates of return. It is now about the 'triple bottom line' – economic, social and environment rates of return. It is against this backdrop that the author argues that the collaboration and co-operation of these social change agents in all sectors is crucial to facilitate holistic sustainable development, co-ordination of activities and optimum utilization of scarce resources. Fragmented and piecemeal development initiatives continue to fail, and as President of South Africa, Thabo Mbeki points out:

“Acting together, we do have the capacity...we can and shall build a South Africa that truly belongs to all who live in it, united in our diversity” (State of the Nation Address, 11 February 2005)

Community foundations promote community philanthropy. However, generally in South Africa the term 'philanthropy' is not well received and there is preference for the use of the terms 'social giving' or 'help'. Thus the term philanthropy and giving will be used inter-changeably in this paper. Although the IDC is a development financing institution with investments delivering financial and developmental returns; it acknowledges that the often termed **“softer”** aspects of development which the community foundations endeavor to address are often not quantifiable, but just as important as the other aspects of development.

“Not everything that can be counted counts and not everything that counts can be counted” Albert Einstein.

The IDC Foundation Fund is used as a financing mechanism through which the IDC assists community foundations to become shareholders in IDC projects. They take up an equity stake, which entitles them to a seat on the Board of Directors, the governance structure of the company being bought into. The details of the transaction are in the loan agreements, transfer of shares agreements, trust deeds etc. Through the IDC Foundation Fund, the IDC projects have a more significant socio-economic impact and this enables the community foundations to become self-

funding and sustainable over time. The IDC Foundation Fund co-invests with normal IDC financing activities, but lower returns apply. The finance, furthermore, is innovatively structured to ensure the required return, whilst simultaneously providing the community foundation with adequate cash flows. In a typical foundation transaction, the IDC warehouses the shares on behalf of the foundation and during the warehousing period, the IDC receives dividend payments, repayments to its shareholders loan as well as payments to realise the required return. As soon as the IDC realises the real after tax internal rate of rate (IRR) of 2.5 % it will transfer its shares to the community foundation. At this stage, the dividend flows will be directly into the community foundation.

Simply put, the IDC does not co-fund the community foundation through a direct monetary contribution but through giving it ownership in a financially viable, technically feasible, environmentally sound and economically desirable, strong cash flow project. The 'soft' loan is given to the client/entrepreneur linking up their project to the community foundation. This loan is currently the cheapest form of funding from the IDC, therefore through the IDC's due diligence processes, it is very important to determine the motive or rationale which is the incentive for the client to link up with a community foundation, so as to ensure meaningful community empowerment, within the ambit of broad-based black economic empowerment which is a political, social, economic and legal imperative in South Africa. The ownership of the community foundation lies solely with the community.

Investment guidelines of IDC Foundation Fund:

- Projects to be financially viable, technically feasible, environmentally sound and economically desirable
- Co-investment with various IDC Strategic Business Units
- Instruments – equity bias and warehousing of shares
- Meaningful stake that will fulfill the requirements of the community foundations programs
- Sizable projects
- Strong cash flows – bankable projects
- Promoters willing and committed – appointment of Foundation Champion (for day-to-day operations of the community foundation)
- Broad institutional and community support (from local authorities etc.)
- Adequate control mechanisms and governance in community foundation
- Operationalisation of Foundation not later than three years after IDC funding
- Gradual implementation of community foundation programs

The IDC therefore distinguishes the community foundation as a social agent of change and development – a social entrepreneurial organization led by social entrepreneurs. Notably, social entrepreneurs are leaders in the field of social change, and can be found in the private, public and not-for-profit sectors. The IDC supports broad institutional support of the emerging community foundations, thus encourages communities, civil society organizations, private businesses, parastatals/corporations and government (in particular local government) to collaborate to ensure optimal community impact of the community foundations. South Africa has a three-tier government structure: national, provincial and local government levels. Community foundations are not to replace the role of local government but are to enhance and complement it. In South Africa, there is the Local Economic Development Act, which is translated into implementable Integrated Development Plans by local governments. It is within this legislative framework that the community foundations also operate, as their main aim is to build and strengthen communities. Thus the co-operation of community foundations and the public/local government authorities ranges from institutional, policy, capacity building, knowledge-sharing, socio-economic development support etc.

The IDC supports the establishment of community foundations through the IDC Foundation Fund. The client is incentivised to link up their project to a community foundation, where the IDC warehouses shares on behalf of the CF to facilitate the take up of equity or ownership by the CF in the IDC-funded project. Projects linked to range from the wine industry transformation project (BAWSI Trust/Foundation with seven sectors involved: NGOs, youth, women, disabled, labor, emerging farmers and small businesses), table grape project (Broodkraal Community Foundation), persimmon fruit pack house project (ARISA Community Development Foundation), kenaf fibre (Kenaf Community Foundation), citrus fruit (TSB Community Foundation) and stone quarry (Seymour Foundation). Seymour Foundation is the one that is linked to an IDC-funded local development agency located at a local district municipality, this community foundation has benefited through concessionary funding through the IDC Foundation Fund and through grant funding from the IDC's Agency Development and Support Fund, the IDC grant will cover the operational costs of the foundation. Local government is providing office space in-kind. So the Seymour Foundation and BAWSI Foundation are very typical examples of the multi-sectoral linkages, which at times come with their own complexities.

IDC plays a neutral role of facilitating and supporting the emerging community foundations and its role can be broadly categorized as follows:

- Incentivise clients to link projects to community foundations, with the IDC warehousing the shares on behalf of the community foundation and encouraging clients to also link up their social responsibility programs
- Technical support (facilitation)
- Co-fund (Note: the client/entrepreneur and not the community foundation takes up the loan with the IDC, so the community foundation has no loan repayment obligation to the IDC. However, dividend flows will be directly to the community foundation)
- Capacity building and training (including Board governance training provided in conjunction with IDC's Legal Services Department and collaboration with Synergos Institute, Southern Africa Regional Office)
- Trust formation and non-profit organization incorporation assistance
- The IDC assumes ex-officio status on Board of Trustees for a minimum of three years, to monitor progress, impact and sustainability
- Stimulate new financing and connect financial resources to the community-level
- Establish and foster cross-sectoral strategic partnerships and alliances to benefit the community foundations
- Information and knowledge-sharing

2.3 Enabling Legislative Framework

The Government of South Africa has an enabling legislative framework for community foundations and other non-profits operating as Public Benefit Organizations (PBO⁴). The legal framework that enables civil society organizations to establish themselves as legal structures and then to regulate the way in which such legal structures operate is the Non-Profit Organizations (NPO) Act 71 of 1997. It came into operation on 1 September 1998 as a result of a lengthy process of policy and legislative reform negotiated between the state and civil society organizations. Primarily the NPO Act is to create an enabling environment for NPOs and set and maintain standards of governance, accountability and transparency. NPOs are registered with the Department of Social Development. The IDC-supported community foundations are incorporated as Trusts and NPOs. Common law and the Trust Property Control Act 57 of 1988 regulate trusts in South Africa. The Founding Document of a Trust is the Trust Deed, which must be lodged with the Master of the High Court. The community foundations have to adhere to the Income Tax Act 58 of 1962 as amended and the

⁴ PBO must be a section 21 company, charitable trust or voluntary association; and it must have status of NPO under the NPO Act. The objectives of the organization must be to carry on one or more public benefit activities, and it cannot pursue other objectives. The activities must be carried on in a not-for-profit manner and with altruistic or philanthropic intent.

Fundraising Act 107 of 1978. Donations to Public Benefit Organizations are tax-exempt. There are other transformative policies and a progressive Constitution with a Bill of Rights that affirms the democratic values of human dignity, equality and freedom. Overall, the government has made important strides in establishing an enabling legal and regulatory framework for civil society organizations development, including the NPO Act, National Lotteries Act and amendments to the Income Tax Act, all of which offer financial and tax benefits for civil society organizations, including community foundations.

Other efforts to support civil society in South Africa are the recently established National Development Agency (NDA) to grant funds to civil society organizations for carrying out projects and programs aimed at meeting development needs of poor communities and to strengthen civil society organizations involvement in service provision to poor communities. NDA is another state-owned agency reporting to the Department of Social Development. The Government of South Africa's program of action was launched in May 2004, with the aim to:

- Achieve higher rates of economic growth
- Improve quality of life of all people
- Consolidate our social cohesion

Government's program of action is about consolidating social cohesion, which is a major role of a community foundation. Even with the enabling environment for community foundations in South Africa, there are numerous challenges and obstacles for corporation-support of community foundations in South Africa depicted in Table 1 below. However, even with all these challenges, it has been very encouraging to have other role-players interested in partnering with the IDC to ensure that these emerging community foundations survive beyond IDC support, through knowledge-sharing, capacity building and program and project funding. These are organizations such as C.S. Mott Foundation, Ford Foundation, UNDP, Synergos Institute, Southern African Grantmakers Association (SAGA), Nelson Mandela Children's Fund, Ashoka, The World Bank and local and international community foundations and other foundations. Negotiations with other prospective players are underway. A lot of benefit has been gained from affiliation to SAGA, the Worldwide Initiative for Grantmaker Support and the European Foundation Center.

There are programs in place in South Africa that address the need for a full and sustainable transition of civil society from struggle against an illegitimate government to increasing collaboration with a legitimate democratic government to achieve a shared developmental vision. On the side of

Government, the developmental landscape is broadly characterized by the challenge to achieve effective and efficient service delivery. Great potential exists in South Africa for civil society organizations-government-private sector partnerships to work towards a shared developmental agenda. Community foundations may be the appropriate institutional structures, as community foundations combine three main roles⁵:

1. Endowment building and flexible, comprehensive donor services
2. Broad and effective grantmaking
3. Inclusive community leadership

But every community foundation is unique in the way it fulfils these roles and in the priority it places on each. Below, the challenges faced by the corporation-support of community foundations in South Africa grouped under the three main roles of community foundations. Lessons learnt from the case studies done through desk-research on the 10 countries will be linked to the South African situation in addressing its challenges as depicted in Table 1. It must be noted that this was not a rigorous research due to time constraints. The countries are the United Kingdom, Russia, Bulgaria, Baltic States: Estonia, Lithuania and Latvia, Slovak Republic, Mexico, Germany, Italy, USA and Canada.

2.4 Community Foundation Initiative

The IDC has a developmental mandate at a national level (South Africa) and regional level (Africa). However, it must be noted that the IDC support for community foundations is currently in South Africa only. At an international and global level there is the Community Foundation Initiative of the World Bank, which is collaborative philanthropy between civil society, private and public sector through community foundations.

“The Community Foundation Initiative (CFI) was jointly launched in March 2003 by the World Bank and foundations. CFI explores how community foundations could contribute to long-term sustainability of community projects. Two basic goals of the CFI are to educate World Bank staff about the concept and potential contribution of community foundations to development, and to identify and develop several World Bank pilot projects in various regions of the world that would demonstrate modalities of integrating community foundations into relevant World Bank operations” (Kunicka J, 2005:13).

A World Bank Global Fund for Community Foundations has been approved. Worldwide Initiative for Grantmaker Support (WINGS) through the European Foundation Center (EFC) will administer this fund.

⁵ Community Foundations Canada: *Discoveries: Bridging Principles & Practices*. Ottawa, Canada, 2002:3

3. SETTING THE SCENE FOR COLLABORATIVE PHILANTHROPY

Community foundations have a key role to play in bringing together civil society and the private and public sectors. The good corporate citizen is pursuing sustainable business. Corporate citizenship considers the rights and responsibilities of companies within a broader societal context, with regards to social and environmental impacts and economic contribution.

Corporate citizenship⁶ is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.

Corporate Social Responsibility⁷ (CSR) emphasizes the business response to economic, social and environmental considerations. CSR is interchangeable with corporate citizenship in countries such as the USA and Europe. Other countries such as South Africa have a preference for corporate citizenship, arguing that the ‘social’ in CSR can be misleading in that it emphasizes one of the triple-bottom-line elements over the others [triple elements: economic, social and environment]. Corporate Social Investment (CSI) is an important sub-set of corporate citizenship.

Corporate social investment⁸ refers to a company’s contributions to society and community that are extraneous to its regular business activities – whether such investment is monetary, or in the form of other corporate resources or time. While CSI might be via charitable or philanthropic giving, it increasingly serves to support business developmental objectives and leverages core skills in the business.

The IDC is in a unique position of straddling the private financial services sector whilst at the same time being a developmental state agency. It therefore subscribes to CSI, which is a function driven by the Marketing and Corporate Affairs Division of the IDC. In December 2002, the IDC CSI Policy was approved. IDC CSI initiatives do not seek to duplicate the role that the IDC plays in providing finance for entrepreneurial projects but concentrates on community development programs. CSI therefore aims to operate extensively and target areas that are underdeveloped, especially in rural communities where access to CSI funding is minimal. CSI is grant funding and the IDC Foundation Fund is a social investment concessionary fund. For instance, the IDC CSI fund has as one of its grantees, the Uthungulu Community Foundation, which is one of the well-established community foundations in South Africa. It is located in the KwaZulu-Natal Province, and has His Majesty King Goodwill Zwelithini as the Patron. The IDC also practices what in the USA is referred to as United Way with employee payroll deductions for charitable causes. This is a voluntary activity under the

⁶ Working Group on Corporate Citizenship, Commonwealth Business Council in Trialogue, 2004

⁷ Trialogue: *The Good Corporate Citizen – pursuing sustainable business in South Africa*. 2004

⁸ Trialogue: *The Good Corporate Citizen – pursuing sustainable business in South Africa*. 2004:9

IDC CSI program where for every Rand pledged by a staff member the IDC matches Rand for Rand e.g. the “I Do Care” project, which supports HIV/AIDS Hospice Homes, wherein staff are afforded the opportunity to nominate the worthy beneficiary non-profit organizations. There are other workplace projects such as voluntary peer counseling and “Take a Girl Child to Work”, this is actually an initiative started by Ms. Foundation, who hosted us for a site visit, the initiative has now evolved to be called “Take our Daughters and Sons to Work Day”. All the IDC initiatives are wholly self-administered and managed by the IDC.

These initiatives are in line with global trends on corporate social investment. Logan (2002) alludes to employee community involvement as a step toward the **‘democratization’ of corporate philanthropy** and studies the interface between the four sectors of modern society: for-profit, public, non-profit and informal sectors, more specifically the role that private sector employees can play in this process, noting that these sectors are not static and their roles are changing in similar ways around the world. Logan (2002:92) points out that, “With the coming of democracy and the need to build a more equitable society, pressure remains on South Africa’s corporations to deepen their corporate community involvement...employee community involvement ultimately presents corporate South Africa with a dynamic and innovative new dimension to their existing corporate community involvement initiatives. If nurtured and encouraged, it could make an invaluable contribution to the development of South Africa”. To date, CSI in South Africa has boomed. In the period 2003/04, the CSI spend for developing communities was R2.4 billion⁹ (2.4 billion South African Rand) which per capita spend is higher than any other country (current exchange rate approximately US\$1=R6.50). The challenge is how to influence Corporate Social Investment (CSI) in South Africa to be channeled through community foundations to promote institutionalized philanthropy.

4. COEXISTENCE, COMPLEMENTARITY, CO-OPERATION AND COLLABORATION WITH GOVERNMENT/PUBLIC SECTOR

The local and global village is inter-connected, hence it is important to acknowledge the coexistence and complementarity of the three sectors, necessitating cooperation and collaboration of community foundations with the private and public sectors, in working together for the common public good and to build trust.

“The role of community foundations is not to replace State intervention but in many ways to complement it by developing a range of practices dedicated to increasing the strength and effectiveness of community life,

⁹ Source: Trialogue

improving local conditions, especially for people in disadvantaged situations, and enabling citizens to participate in public decision-making and debate. Community activity nurtures human bonds and forms of social capital (e.g. relations of trust between individuals) which neither the State nor the market alone can provide” (Jana Kunicka, EFC. 2005:6).

The intent of the IDC support for community foundations is in line with South Africa being a developmental, progressive and democratic state, providing an enabling environment for civic engagement and participation. This is also the case in numerous other countries. This is a trend that should be taken into consideration through the workings of community foundations. The state and private sector should be viewed as trusted and necessary partners. It is a misnomer that civil society is “the” only trusted player without an agenda. The common agenda of all sectors must be working for the public good. What has to be guarded against is co-option of one sector by the other. The challenge is creating an enabling environment that strives for equal partnerships that empower all three sectors of society.

5. FROM 3rd to “4th” SECTOR: MULTI-SECTORAL PARTNERSHIPS

The modern society’s four sectors are referred to as the for-profit, public, not-for-profit and informal sectors by Logan (2002). However, the author will refer to the fourth sector as the “multi-sector” which cuts across the first sector (government), second sector (business) and third sector (civil society or voluntary sector), adapting the notion of the “fourth sector” from Ambassador James Josephs¹⁰. This fourth sector is the inter-face of the three sectors, characterized by collaborations and partnerships between civil society, private and public sectors. In South Africa we often refer to them as community-private-public-partnerships (CPPPs). He noted that whilst in the USA foundations drive philanthropy, in South Africa it is driven by corporations. It can therefore be said that the IDC operates in the fourth sector, as a development financing institution facilitating linkages, collaborations and partnerships between the various sectors and role-players in the support and promotion of the emerging community foundations. The IDC facilitates financial, human resource, capacity building, information sharing, small, medium and micro enterprise support, technical support and multi-sectoral linkages.

¹⁰ Ambassador Josephs keynote speech at Bi-National Civil Society Forum held in Cape Town, South Africa on 7 to 9 October 2005 (adaptation)

6. COMPARATIVE ANALYSIS OF COLLABORATIVE PHILANTHROPY THROUGH CASE STUDIES

The research scanned the collaborative philanthropy environment of the following countries:

- United Kingdom
- Russia
- Mexico
- Bulgaria
- Baltic States: Estonia, Lithuania and Latvia
- Slovak Republic
- Germany
- Italy
- USA and
- Canada

The findings from these case studies are then drawn in as lessons learnt to address the South African situation on community foundations and the challenges faced by the emerging IDC-supported community foundations and depicted in Table 1 below. The main area of research focus was state intervention and business involvement in community foundations.

Broad areas of collaboration observed:

- **Financial support** – e.g. direct/indirect funding/co-funding/co-founding/operational support (office space, office infrastructure [telephone, fax, internet, e-mail etc.]) salary/secondment and technical support/project funding/bi-lateral and multi-lateral funding interface
- **Non-financial support** – e.g. office-in-kind, secondment-in-kind/image-building and referrals to other funders/intermediary-link/volunteerism
- **Other support** – e.g. information and knowledge-sharing/human resource/job shadowing/skills-transfer/peer-learning/mentorship/leveraging of funds/policy dialogue/training

TABLE 1: Challenges Faced by IDC-supported Community Foundations (CFs) and Lessons Learnt

CHALLENGES FACED BY IDC-SUPPORTED COMMUNITY FOUNDATIONS (CFs)		
ENDOWMENT/ASSET BUILDING	GRANTMAKING	LEADERSHIP
Having common understanding of CF concept	Lack of institutionalized philanthropy	Community leadership capacity constraints
Inculcating culture of giving	Philanthropy driven by corporations. To re-channel corporate social investment through CFs	Governance and donor relations
Tapping into both vertical (wealthy to poor) and horizontal (poor to poor) social giving. Build on indigenous ways of giving & traditions of low wealth individuals with notion of 'izandla ziyagezana', which means 'one hand washes the other'; ubuntu/humaneness, unconditional help and charity begins at home.	Lack of understanding philanthropic/social giving/self-help patterns. Indigenous giving not quantifiable e.g. 'stokvels', savings clubs, burial societies, homecare for the ill etc. How can we build on these forms of traditional giving?	Building trust and respect and value-based leadership
1 st generation emerging black middle class with immediate family needs vs. institutional philanthropy	Cultural and traditional giving that is not only financial but non-financial and various support	Addressing immediate pressing needs vs. perpetuity of CF (impact vs. perpetuity)
Weak donor base	Associational dependence on both local and foreign donors	Capacitating Board members with varying literacy levels
Fund-raising	Diaspora giving under-developed	Organizational skills of Foundation Champions for day-to-day operations
Endowment building	Motive/rationale/incentive of IDC client, the entrepreneur in linking their project to a community foundation	Ensuring autonomy and independence of CF especially those 'incubated' by other organizations
Community asset building	Inclusivity (including language – SA has eleven (11) official languages)	Volunteerism and youth involvement
Getting 'captains of industry' on CF Boards	Visibility	Establishing and fostering strategic 'equal' and meaningful partnerships and alliances in all three sectors and CFs
LESSONS LEARNT FROM CASE STUDIES		
UK: Charities Aid Foundation (CAF) and central government supported the UK community foundation movement development by funding administration and start-up costs of six community foundations	USA: Total giving in the USA in 2004 was US\$248.52 billion by: <ul style="list-style-type: none"> • Individuals: 75.6% (\$187.92) • Bequests: 8% (\$19.80) • Foundations: 11.6% (\$11.6%) • Corporations: 4.8% (\$4.8%) Foundations exclude corporate foundations and corporations include grant payments by corporate foundations	UK – collaboration across sectors in funding, grantmaking and governance of UK community foundations.

ENDOWMENT/ASSET BUILDING	GRANTMAKING	LEADERSHIP
UK: CFs have built on long tradition of charitable trusts	UK – Over 90% of the population has access to a community foundation	UK – ‘Compact’ way of working through government-voluntary sector formal agreement to improve relationship and ‘build the future together’ – Compact Working Group established. Compact is about how partners behave, engage & work together & ‘mutual advantage’. In compact, govt. promises to respect and support independence of voluntary sector.
UK – Although CFs started in the 1980s, by 2004, UK CFs collectively held over £90 million in permanent endowment	UK - In the year 2003/4 UK CFs made grants of £53 million	UK – Community foundations act as intermediaries for public funding e.g. state grants
UK – Largest program of Community Foundation Network (CFN) is the Fair Share Trust Program CFN is the corporate trustee for the Fair Share Trust that holds a £50 million investment from the New Opportunities Fund (now the Big Lottery Fund) to be spent over 10 years from 2003 in the most <i>disadvantaged areas</i> that have not received their “fair share” of lottery money (i.e. money raised by the National Lottery, a proportion of which has to go to “good causes”). “Fair Share” areas are 77 in the UK identified by Government that suffer considerable disadvantage and have received proportionately less than their fair share of lottery money.	UK – collaboration across sectors in funding, grantmaking and governance of UK community foundations. UK – Community foundations act as intermediaries for public funding e.g. state grants	UK – Community foundations manage govt. funds such as neighborhood renewal fund from the European Social Fund, a major tool of the European Union (EU) for pursuing its employment policies and aims and initiative to ‘help people to take their 1 st steps back towards work’ e.g. people with disabilities, caregivers, people recovering from serious illness and young people in danger of being excluded from school e.g. Wiltshire and Swindon Community Foundation
UK - Total income in 2003-4 for all UK community foundations: 59% from statutory sources, 14% from charitable trusts (including those of individuals & families), 9% from individuals & families, 9% from companies, 6% investment income and 3% from other sources	UK – CF income mainly from statutory sources (59%)	UK – CFs not only gain from expertise and collaboration that government representatives bring to a Board, but also from value-add brought on by celebrities.
Mexico – Corporate foundations being established to drive corporate social responsibility. Philanthropic culture being developed & strengthened, integrating those with philanthropic trajectory (the wealthy) and the poor	USA – Progressive grantmaking not just grantmaking	UK – Political buy-in of CFs. Several Members of Parliament, prominent senior politicians are involved in their local CFs in their personal capacities, even Prime Minister Tony Blair is the honorary Vice-President of County Durham Foundation Mexico – Political buy-in of CF concept

ENDOWMENT/ASSET BUILDING	GRANTMAKING	LEADERSHIP
Russia – Charities Aid Foundation (CAF) supported development of CFs in Russia	Russia – Government and business collaborating, however, corporate philanthropy is relatively new in Russia	Russia – Adopted ‘one-third’ principle when forming Boards and committees of CFs (1/3 civil society, 1/3 government and 1/3 business)
USA - Embrace and nurture creativity, energy and assets of the youth	USA - Move beyond the charity model of philanthropy	USA: Diversify governing Boards and staff of philanthropic organizations. However, state intervention discouraged
USA – Site visit to Ms. Foundation in New York which started “Take a Girl Child to Work Day” now “Take Daughters and Sons to Work Day”	USA – Promotes diaspora philanthropy USA, Canada and Europe – Promote ‘Youthbank’ for youth philanthropy	USA-Mexico partnership initiative to strengthen CFs
UK – European Union has used the Northern Ireland as an intermediary funder for its peace-building program	USA – United Way – payroll giving centrally controlled and not administered by companies themselves	USA: Support work that promotes the development of equitable public policies. The tax system in the USA is conducive for philanthropic giving.
Bulgaria – Fundraising through social pavilions and Red Cross link through funds raised.	Bulgaria – New community foundations started in 2002/3. Association of Community Foundations in Bulgaria (ACFB) started in 2005. Minimal grantmaking from co-funding from local government.	Bulgaria – Collaboration between CFs and local government: operational support (offices-in-kind from local govt., financial support (co-funding of community projects), image-building and donor referrals, involvement in local dev. Planning, assist local govt. in implementing new practices such as social contracting. Public forum convened for participatory decision-making. CF is local govt. partner in EU projects.
Baltic Islands: Estonia, Lithuania and Latvia – Fundraising through social pavilions and cultural events and co-funding from BAPP	Baltic States – New CFs established in 2002-4	Baltic States – Baltic-American Partnership Program (BAPP) a pilot to establish CFs in Estonia, Lithuania and Latvia
Baltic States – Local govt. cooperation with CFs: rent-free offices, salaries, program funding, EU project funding, technical support. Funds raised from individuals, business, NGOs, local govts. & State institutions. Cultural activities for fundraising.	Baltic States – Emphasis of ‘community’ in the emerging CFs. Have started small but are making an impact in their communities and are mainly concentrating on fund-raising with endowment building secondary. Main project focus areas are culture, youth and environment	Baltic States – Technical support provided to emerging CFs

ENDOWMENT/ASSET BUILDING	GRANTMAKING	LEADERSHIP
Baltic States – only starting to build endowment, but have already funded some projects from funds raised	Baltic States – one CF founder is resident in the USA but is originally from Papile in Lithuania thus promoting diaspora philanthropy	Baltic States – some CFs serve more than one country, up to four/one local municipality/all local governments/some have business as co-founders/NGO confederation also co-founder/individuals
Baltic States – In Lithuania, more than 200 inhabitants contribute 2% of their income tax to CF, among them, employees of private companies	USA – Foundation Center has a database of all types of foundations in the USA	Baltic States – legislative framework in Latvia does not allow formation of CF with an independent governance structure, but as part of membership association
Slovak Republic – ‘Percentage’ philanthropy: legal mechanism allowing taxpayers to allocate certain % of last year’s income tax to a NPO, currently 1%, however CF concept is relatively new in Slovak Republic		Slovak Republic – CFs among other foundations are represented on the Governmental Council for NGOs Fiscal tool of % philanthropy facilitates CF and govt. collaboration
Germany – As a fundraising mechanism, the 1 st payroll giving program, RestCent has been developed, where City Council employees can donate to the CF from their salaries and get tax deduction.		Germany – increasing interest in CFs from local authorities: “municipal CFs” established which are closely linked to local authorities with regards to funding and staff. There are the separate autonomous and independent CFs. Various collaboration approaches in existence
USA – Endowment building emphasis of CFs		Italy – collaboration with govt. and business CSR
Baltic States – Community impact of CFs through funding raised vs. endowment building being secondary		Canada – not to adopt CF standards but principles. Leadership about taking risks. 10 CF principles developed no. 4 on developing partnerships. Business & local authority officials serve on CF Boards. There are 155 CFs in Canada.
USA – Targeting ‘communities of color’ as CF donors and not the usual recipients		USA – Some CFs tackling ‘hard’ social justice issues
		USA – ‘Incubation’ of organizations may not be ideal, but has its advantages such as economies of scale e.g. New York Community Trust has incubated Long Island Community Foundation since its establishment 27 years ago
		USA – Networks and associations formed to provide support to CFs

7. MEANINGFUL COLLABORATIVE PHILANTHROPY

There are new forms of governance and emerging trends of meaningful collaborations between the civil society sector, private and public sectors as shown by the case study findings. Major analysis of this research was based on substantial state intervention in the support of community foundations as per formalized agreements and arrangements. The intervention of the state was mainly as a co-funder and/or co-founder and/or participant in governance structure, however non-financial interventions and other types of support were also observed.

Business has been a major player in the philanthropic world for most of the countries analysed through this research, especially where there are fewer individuals of high-net worth. In comparison to other countries globally, South Africa in 2004 had the highest spend on communities through corporate social investment. But the emerging black middle class in South Africa is the first generation middle class with immediate family needs and a tradition of assisting family through remittances and other giving, rather than institutionalizing their philanthropic goals. State intervention has been mainly with emerging democracies and transitional states such as Eastern European states and South Africa. However, there has been substantial state intervention in the UK, which is neither a new democracy nor a transitional state, which makes the UK a unique success story with regards to the community foundations movement. The notion is therefore that it is not only those developmental transitional states that must intervene in the **'social' market**.

Public authorities have acted or act as co-founders and/or co-funders of community foundations in Europe. There is a number of government-linked CFs in the **enlarged European Union** e.g. Bulgaria, Slovak Republic and the Baltic Islands. The public authorities set-up the foundations governed by public law, and the aim is to have these foundations independently run. However, in some cases the public authority retains influence either through funding schemes or as part of the foundation's governance structure. There are also local, regional, national and supranational government agencies/bodies that are co-funders and/or co-founders, such as the European Union, The World Bank and the Industrial Development Corporation of South Africa.

New forms of governance are necessary to facilitate collaborative philanthropy. The Japan example of bureaucracy-led socio-economic system is similar to that of South Africa as a developmental state. Tadashi (1999: 145) states that, "The bureaucracy-led socio-economic system was the product of Japan's single-minded pursuit of economic growth. The society of the future, however, must be based on pluralism, which affirms the coexistence of diverse values. The public sector does not stand

above the private sector; each has its own functions and complements the other. What is desirable is market participation by economic actors that have differing values and aims, along with markets that fully guarantee economic actors freedom of choice. If this way of thinking takes hold, Japan will see the emergence of many superb NPOs and the creation of a new form of governance”. Others¹¹ assert that the social sector is important in its own merits, not just as “filler” and that we must now embark on building a Society of Citizenship. In doing so, it will not be productive to take the view, ‘government is bad and so is business, so we must build a Social Sector comprising only good hearted volunteers’. They further say that what we should ask ourselves instead is how each of us can make a difference; people in government and business as well as non-profit organizations have an important role to play in this endeavor.

Another collaborative dimension is through Official Development Assistance (ODA) Agencies, which are either bilateral or multilateral. Synergos (2000:259) defines them as such: “Bilateral official development assistance (ODA) agencies are government agencies set-up to channel assistance to other countries – typically this assistance goes directly to the government...e.g. Canadian International Development Agency (CIDA), Department for International Development (DfID) of the United Kingdom and the Japan International Cooperation Agency (JICA)...Multilateral ODA agencies are composed of members governments that agree by international treaty or convention to establish them...Multilateral agencies providing official development assistance include many parts of the United Nations – such as the United Nations Development Program (UNDP). The IDC is exploring ways of collaborating with the UNDP on the emerging community foundations as a means to localize Millennium Development Goals.

The abovementioned case studies reflect the varying corporate engagement strategies. These strategies are succinctly summed up by Logan et al (1997: 179, 181), as follows: think strategically; do research; identify self-interest and common interest; consider broad range of resources including non-financial resources; communicate, educate and inform; respect and learn from cultural differences; be realistic and start small; evaluate and learn. He further states that, “If community problem solving is the goal, the challenge is to get sectors to move out of their adversarial approach into relationships that bring the values and expertise of both sectors to bear on the problems...A true commitment... must include a strategy for collaboration among the sectors of society that is rooted in reciprocal relations rather than extractive actions”. The context of adversarial relations and suspicion of business and government by civil society organizations defeats the common purpose; as

¹¹ P.F. Drucker and I. Kanebo. *Crossover Between the Nonprofit and Business Sectors*.1994, p.25

a community foundation collaborating with the private and public sectors brings together the values and expertise of the three sectors to bear on the community problem, as a 'joint venture'. A collaboration/co-operation policy cannot succeed unless each side understands, respects and trusts the others roles and responsibilities.

Within the South African context, with a vast rural community, rural philanthropy is very critical; in line with acknowledging the vertical (rich to poor) social giving and the horizontal (poor to poor) social giving indigenous ways of giving. The rural philanthropy frameworks adopted need to be inclusive, acknowledging that everyone is a prospective donor, and everyone is a beneficiary. A number of CFs in the US are targeting "communities of color" as donors, and not the usually recipients, such as the Greater New Haven Community Foundation. Looking at other means of giving is critical. "...Philanthropy often works vertically and that more cross-cutting approaches to development were needed" (EFC, 2005:35).¹² About Africa's long history of giving, ¹³"...the absence of the philanthropic vehicles used by the benevolent rich, but it is a mistake to assume the absence of a benevolent tradition. The idea of homo-comunalis, man's existence in community and his obligations to others, is as much a part of African metaphysics as it was a part of early Greek culture". Thus the charitable impulse exists in both the wealthy and the poor.

It is therefore necessary to cultivate new donors to facilitate increased giving, as supported by Mottino and Miller (2005:55), "...donors of color we interviewed are not only generous, they are more generous than comparable populations...they see full access to services (particularly education) as key to effecting the social change that motivates their giving...the younger generations represent an emerging philanthropic potential. If current demographic and sociological trends continue, there are likely to be increasingly more young professionals of color with the potential to create pathways". The author observed during site visits to some community foundations in the USA that there were a number of initiatives introduced to target donors in communities of color e.g. Greater New Haven Community Foundation and membership associations have been established to support this cause. Generally, communities of color have long traditions of giving, with notions such as 'charity begins at home' and self-help being part of their upbringing. What was also observed is that the USA community foundations have numerous legacy/memorial funds and bequests. This is a very under-developed area in South Africa, which has plenty of room for creating other pathways for philanthropic giving; this is a challenge for the emerging community foundations in South Africa.

¹² "We are a community development institution using philanthropy as a tool. It's about the psychology of a whole place, not just the money" Jeff Yost, President, Nebraska Community Foundation.

¹³ Ambassador James Joseph, *The Charitable Impulse: wealth and social conscience in communities and cultures outside the United States*, 1989 p.188

Philosophy of philanthropy in the USA is rooted in the desire to limit¹⁴ government interventions, when, “the principal alternative to private philanthropy...is government funding” (Hemmelstein 1997:28). The changing relationships between sectors in the US are highlighted in Bernholz et al 2005 that, “Corporations are now leading the way in many product, service and regulatory innovations that facilitate philanthropic transactions. Ongoing structural shifts in government services and corporate responsibility will require philanthropy to continuously assess these relationships as it defines its role in public problem-solving”. The publication also mentions a need for shift in focus from institution to community, refocus on why CFs exist and whom they ultimately serve, and CFs more than ever before will need to “walk the talk” of community benefit and demonstrate their value by emphasizing their impact on and accountability to their communities, cross-sector solutions; a shift from competitive independence to coordinated impact and need to structure CFs to work in real partnership with other community philanthropy organizations and commercial innovators. A great deal can be learnt from the evolution of the CF movement in the US, and at this point the author understands that there may not have been a need before for cross-sectoral collaborations, however at this point it seems compelling to have them.

8. Key Lessons Learnt from Senior International Fellows Program

- 8.1 Community foundations vary and each community foundation is unique from the other, their characteristics are predominantly determined by the emphasis on each of the three main roles of a community foundation i.e. endowment/asset building, grantmaking and leadership.
- 8.2 Globally there is collaboration between the three sectors through community foundations, either as financial, non-financial or other support.
- 8.3 The Foundation Center in the USA strengthens the nonprofit sector by advancing knowledge about USA philanthropy. The Foundation Center houses the database of all types of USA foundations and their focus areas/themes and countries. It is the USA’s leading authority on institutional philanthropy.
- 8.4 The UK community foundation movement is closest to the South African approach, in terms of the community foundation concept having built on the UK’s long tradition of charitable trusts; national state government support in the form of co-funding the establishment of community foundations of six community foundations in collaboration with Charities Aid Foundation (CAF), National Lottery Act that allocates proportion for

¹⁴ Hemmelstein JL, Looking Good and Doing Good: Corporate Philanthropy and Corporate Power, 1997 p. 28

- good causes and community foundations and National Lottery partnership on “Fair Share” program targeting the 77 most disadvantaged areas identified by government, UK Community Foundation Network is corporate trustee for the Fair Share Trust of the New Opportunities Fund announced by Secretary of State for Culture Media and Arts.
- 8.5 Progressive grantmaking not just grantmaking, is the route taken by the USA community foundations that are addressing the real, sometimes termed controversial or difficult social justice issues.
- 8.6 Some USA community foundations are targeting “communities of color” as donors not as the usual recipients of community foundations.
- 8.7 The Long Island Community Foundation (LICF) founded in 1978 serves as the Long Island arm of the New York Community Trust (NYCT), which was founded in 1924. There is no exit strategy to facilitate the exit of NYCT. However, although such an arrangement may not be the ideal, it is also not necessarily right to say ‘incubator’ relationship is unhealthy for real and meaningful autonomy and independence. If this arrangement works for NYCT and LICF why should there be an exit strategy? The IDC has built in exit strategies.
- 8.8 Charities Aid Foundation (CAF) has been involved in the establishment of community foundations in the UK and Russia. Their role in South Africa will be explored as there is a CAFSA office in Johannesburg, South Africa. A strategic partnership between the IDC and CAFSA will be explored.
- 8.9 Community foundations influence policy change, especially when they have a strong lobbying and advocacy capacity.
- 8.10 United Way in the USA is a payroll giving mechanism that is centrally managed by United Way, and not by the companies themselves, as in South Africa. However, there is THE Community Chest in Cape Town in the Western Cape Province of South Africa that operates like a provincial United Way.
- 8.11 The recently published, “On the Brink of New Promise: the Future of U.S. Community Foundations” by Lucy Bernholz, Katherine Fulton and Gabriel Kasper, funded by C.S. Mott and Ford Foundation, focuses on shifts necessary for U.S. community foundations. The publication is thought provoking and makes us from the developing world understand better the long process of the evolution of community philanthropy in the United States. The evolution process in the US is depicted¹⁵ as follows:
- Before 1900: Early community philanthropy...characterized by informal practices of “taking care of one’s own”

¹⁵ Lucy Bernholz, Katherine Fulton and Gabriel Kasper, “On the Brink of New Promise: the Future of U.S. Community Foundations”, 2005, p.2

- 1900 – 1929: The institutionalization of community philanthropy...formalization of early giving practices and the creation of many of today's key institutional structures, such as community foundations, giving federations and United Ways
- 1950 – 1990: The democratization of community philanthropy. During this time, organized community philanthropy spread and diversified into new communities and populations.
- 1991 – 2005: The age of commercial charity. This period included the explosive growth of community philanthropy organizations in the 1990s and the entrance of commercial charitable gift funds into the philanthropic arena.
- 2005 - ? The next era

This evolution may mean that the US community foundations have gone full-circle to maturity stage, therefore need to reposition themselves. The organizational development (OD) debate is therefore an imperative to map out the organizational stages/cycle of the community foundations; including multi-disciplinary practitioners such as OD specialists, political scientists, social scientists, sociologists, historians, economists, and financial analysts etc., to have a holistic view of the evolution and include trends in other parts of the world. As can be seen above, the fellowship has shed light on a number of community foundation issues and very useful lessons have been learnt.

9. Recommendations

- The community is the main beneficiary of the community foundation, and each community foundation has its own unique features. But the main community foundation roles are: endowment/asset building, grantmaking and community leadership. It is thus necessary to have committed and capacitated community leadership to position/re-position CFs.
- Meaningful co-operation, collaboration and cooperation without negative co-option for meaningful community-private-public sector-partnerships to facilitate the community foundations five characteristics of power of pooled resources, permanence, participation, public accountability and partnership. Lessons can be learnt from the new forms of governance and emerging forms of collaboration from various countries.
- The three sectors are to complement rather than compete with each other, however, the community foundation is not to replace the state but mainly complement.
- Non-profits are to learn to be comfortable with the use of 'business' language.

- Branding of non-profits is essential to set them apart from others. Most companies would say a “trusted brand”¹⁶ is their most valuable intangible asset, but the value of brand trust is yet to be fully appreciated by non-profits such as community foundations. Amongst the most trusted brands are Amnesty International, World Wildlife Fund and Red Cross. A trusted brand can bring other benefits such as attracting and retaining high-caliber employees and board members, getting loyalty and attracting donor funding. According to Quelch, Austin and Laidler-Kylander, United Way of America is also putting a dollar value on its brand and Habitat for Humanity’s brand is worth \$1.8billion.
- Community foundations can be utilized as a vehicle for localizing Millennium Development Goals, as well as addressing the challenges faced in attaining the regional goals of the Southern African Development Community (SADC) and the New Partnership for Africa’s Development (NEPAD) of the African Union (AU) and other regional and global bodies.
- From community philanthropy to philanthropy in community as a means to tap into local indigenous ways of giving, including individuals of both high-net worth and those of low-net worth, so that you tap into the vertical (rich to poor) and horizontal (poor to poor) giving in both monetary and non-monetary forms.
- Inclusiveness and visibility are critical elements of a community foundation.
- Language can be exclusive especially in diverse communities. Therefore language must be used as a tool to unify and ensure inclusivity based on local context e.g. in South Africa there is more acceptance of community development foundation concept rather than community foundation, and social giving or help rather than philanthropy.
- The youth and volunteers are to be targeted for institutionalized philanthropy.
- Diaspora philanthropy is to be promoted through community foundations.
- The “4th” sector (multi-sectoral partnerships) is an imperative for community foundations to thrive, survive and sustain.
- Social justice agenda and the ‘painful truths’¹⁷ must be tackled by community foundations as agents with a social change agenda. It is now the era of progressive grantmaking.
- South African community foundations can draw lessons from the UK’s linkage of community foundations with the National Lottery as the SA National Lottery (Lotto) has similar obligations in terms of social responsibility; as well as from the Eastern European approaches of involving local government in and through community foundations, some of

¹⁶ Adapted from John A. Quelch, James E. Austin & Nathalie Laidler-Kylander, **Mining Gold in Not-for-Profit Brands**, Harvard Business Review

¹⁷ Dr. Emmett Carson’s phrase in his speech at the 1st Global Symposium for Community Foundations held in December 2004 in Berlin, Germany

the USA community foundations progressive grantmaking and the Canadian community foundations emphasis on ‘community’ in community foundation.

- To make the community foundation movement more viable in South Africa, there is a need for a voluntary association of community foundations and other community philanthropy organizations, in the form of a SAGA-CF/South Africa Community Foundation Association/Philanthropy in Community Initiative. Lessons can be drawn from other membership associations such as Worldwide Initiative for Grantmaker Support, European Foundation Center, USA Council on Foundations, Community Foundations Canada, UK Community Foundation Network etc.

10. Conclusion

The IDC’s strategic intervention of supporting the establishment of community foundations is giving a human dimension to the work that the IDC is doing – “*putting a human face to development*”. The IDC is doing business with a social conscience. In South Africa the culture of corporate social investment is booming voluntarily, thus creating a South African business environment that embraces good corporate citizenship. There are efforts to move beyond charitable giving to more strategic and institutional philanthropy. The environment is conducive for multi-sectoral partnerships to thrive in South Africa. This phenomenon of socially responsible business practices is to be encouraged and can be further enhanced through community foundations.

CSI expenditure in South Africa is impressive since 1994. “Since the advent of democracy, the corporate sector’s actual contribution to development through CSI has accumulated to approximately R18 billion (nominal), which translates to R24 billion in today’s terms and represents an average of R2.4 billion per year over the past decade...To put this in perspective, this R24 billion contribution by corporate social investment programs since the advent of democracy is roughly equivalent to: Government’s allocation to defence and intelligence last year; two-thirds of government’s expenditure on health in the last year; and forty percent of one year’s corporate tax contribution (which amounted to R60 billion for 2003/04)”¹⁸. These trends are due to transformation imperatives in South Africa that place onerous obligations on businesses, imposing a paradigm shift in corporate attitudes and business practices. The national imperative being a conscious effort to redress past imbalances and exclusions and create an equitable society.

¹⁸ Trialogue **CSI Handbook**, 2005, p. 75

Generally, therefore, in South Africa, the corporations drive philanthropy; whilst elsewhere in the world it is either driven by wealthy individuals or by various institutions. The challenge is striking a balance¹⁹ to make philanthropy all-inclusive, in terms of involving the wealthy individuals, institutions and the community at large (both poor and rich) to truly capture the essence of “community” in the foundation through vertical (rich to poor giving) and horizontal giving (poor to poor giving). As Elan Garonzik rightly puts it, “In South Africa the challenge is getting the ‘captains of industry’ on the Boards of the new emerging community foundations. In the US as the community foundations are old, it is prestigious to be a member of a community foundation board”.

“Community foundations that have different sectors on their boards have an advantage when building collaboration and partnerships between sectors. Thus they can draw on a wide spectrum of networks to open up opportunities and build trust and confidence...The role of community foundations is not to replace State intervention but in many ways to complement it ...Community activity nurtures human bonds and forms of social capital (e.g. relations of trust between individuals) which neither the State nor the market alone can provide...For government and other public institutions, independent funders are an attractive partner and collaborator for these principal reasons: they help build partnerships across sectors, they give government a “human dimension”, they can enter into funding partnerships with governments where every euro of public money goes to the recipient, they complement governments or help to leverage public funding and they are free of short-term considerations faced by elected bodies...Unlike elected governments, community foundations are built to exist in perpetuity” (Kunicka 2005:5,6,14).

The South Africa landscape in terms of the interaction of the **three**²⁰ sectors is very similar to that of the United Kingdom, and thus there are lessons to be learnt from the UK. Canada is another country with a unique approach to community foundation that emphasizes the community as a collective with regards to the community foundation concept. Eastern European countries, which are mainly new democracies in transition, have very noticeable innovative state and business interventions in the workings of community foundations. As the author has taken an interest in more formal agreements or arrangements on collaborative philanthropy between community foundations, the state and private sector, the USA is therefore lacking in these collaborative approaches, although there are some community foundations that have more indirect dealings with state or local authorities and business, mainly at project level. The author concurs with Kunicka (2005:10) that,

¹⁹ Dorothy Reynolds states that “Community foundation boards are to be reflective of the communities they serve and not representative”.

²⁰ Leona Forman, President and CEO of the Brazil Foundation dream is to see the 3 sectors in Brazil collaborate, partner, identify priorities, respect and trust each. This she terms ‘sustainable development’.

“When engaging government in collaboration, community foundations can employ a whole range of mechanisms. These include: Financial: grantmaking (institutional funding, capacity building) and projects; Non-financial: there is a range of resources community foundations have that go far beyond money: it is their knowledge, expertise and leadership position that contributes to their roles as conveners, organizers, relationship brokers, policy promoters, advocates etc; Other support: community foundations can lay the groundwork for institution building, leadership development, convening, networking etc.”

Although there are close and favorable relations between the state and civil society in South Africa, especially through the tripartite alliance of the ruling party, the African National Congress, South African Communist Party and the Congress of South African Trade Unions. There are also tensions especially around unemployment and job insecurity. However, there are perceptions that the window of opportunity for NGOs to influence policy-making and implementation is beginning to close, as the new administration develops greater confidence and expertise. However, against this backdrop, civic participation and engagement is encouraged through a conducive environment as earlier outlined.

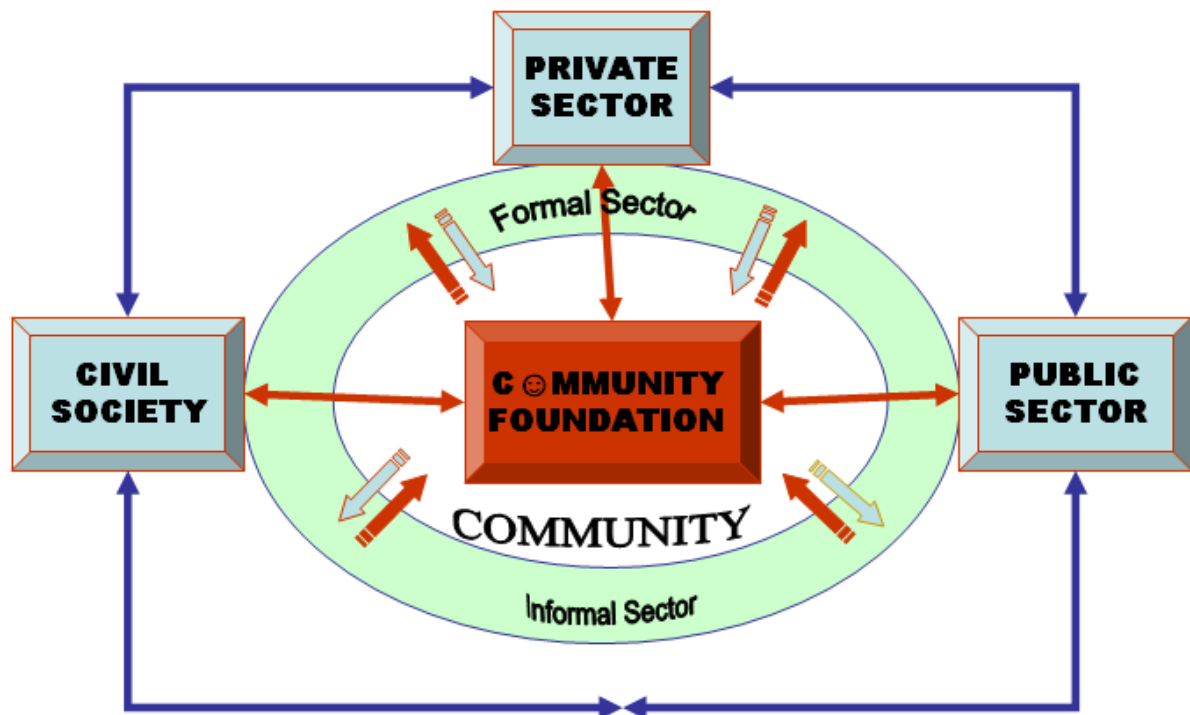
However, the challenges of the 2nd Economy are far from being met, which is where community foundations can position themselves. Thus the inter-connectedness of the global village, globalization, information technology etc. lend community foundations to being **appropriate institutional structures** to address social injustices due to their adaptability and flexibility; bearing in mind that gone are the days of community development and empowerment being the domain of one sector: ‘civil society’. Civil society cannot be the only player; it has to partner with the private and public sector, without being co-opted²¹. If community foundations are to influence policy changes, they have to be politically sensitive with a **focused agenda**. The author argues that it is a misnomer that civil society is neutral and has no agenda. The common agenda of all sectors should be the public good. The IDC’s agenda is to facilitate socio-economic transformation and broad-based black economic empowerment. The IDC is mandated to facilitate the strengthening of the South African developmental state through amongst others, supporting the establishment of community foundations, whilst community foundations are voluntary organizations that have the ability to tackle social justice issues.

Community foundations build and strengthen communities by making it possible for a wide range of donors to create unique charitable funds to support the causes they care about. The majority of

²¹ Lumkile Mondli, Chief Economist and Executive Vice-President: Professional Services at the IDC advocates for co-option if necessary, so long as it is positive co-option and not negative co-option.

community foundations seem to choose not to tackle so-called controversial or difficult social justice issues. This therefore defeats the purpose of a community foundation being a catalyst for social change, building bridges in diverse and divided communities and being autonomous and independent. In conclusion, for-profit and non-profit organizations are to make connections between justice, equity and public policy. If community foundations are to contribute to sustainable development, poverty reduction, peace building, social cohesion, social justice, reconciliation and restoration of human dignity this is only possible through **meaningful cross-/multi-sectoral partnerships**, where the **community** through the **community foundation** is at the center of a tripartite alliance between civil society, private and public sectors cutting across the formal and informal sectors. Community foundations have ‘**soft power**’²² and are well positioned to take the lead in forging mutually beneficial partnerships of the three sectors and promote common good as depicted in Diagram 1 below which depicts philanthropy of community through cross-/multi-sectoral partnerships.

DIAGRAM 1: Philanthropy of Community



²² Soft power is persuading others without force. It is about public diplomacy, moral messages, exemplar behavior and respect for differences. Hard power is the ability to get others to do what we want, and it is based on coercion whilst soft power is the ability to get others to want to do the same thing we do, and it is based on attraction.

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Seminar Presenters/Facilitators:

- Robert Edgar, Vice-President: Donor Relations, New York Community Trust, USA
- Leona Forman, President and CEO, Brazil Foundation
- Dorothy Reynolds, Community Foundations Consultant, USA
- Ann Tartre, Deputy Director: Strengthening and Bridging Organizations, Synergos Institute, New York, USA
- Monica Patten, President and CEO, Community Foundations of Canada
- Edward Pauly, PhD, Director of Research and Evaluation, The Wallace Foundation, USA

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