

DRAFT FOR DISCUSSION  
INSP. Working Group 1

**Interpretations of Strategic Philanthropy: Cases  
from the Philippines and Indonesia**

By

Natasha Amott

[namott@synergos.org](mailto:namott@synergos.org)

## Author's Note

The International Network on Strategic Philanthropy (INSP) is dedicated to enabling foundation leaders and representatives of philanthropic support organizations to gather and disseminate knowledge, best practices, and critical issues on the state of strategic philanthropy. This paper was prepared for the globalization subgroup of Working Group 1 – *Foundations as transparent investors in the public good and agents of change*.

The goals of this subgroup include those of promoting the importance of strengthening the local foundation infrastructure in developing countries, and encouraging northern foundations to build the capacity of these foundations to engage more in strategic philanthropy. We are discovering that little baseline data is available at this time, however, to fully understand ways in which local foundations in developing countries may already be engaging in strategic philanthropy.

This paper starts to address the paucity of literature on this subject by examining the experience of four grantmaking foundations in two countries of Southeast Asia – the Philippines and Indonesia. While this narrow window of insight demands that more cases be explored elsewhere in Asia as well as in Africa and Latin America, we hope that this paper is a useful first step in developing an understanding of the strategies being used by foundations in the global South to address major needs in their respective societies. It is intended to raise questions for the group's ongoing discussion on strategic philanthropy in the global context. It should be viewed as a work in progress and questions and comments are welcome.

## Introduction

As evidenced by the very formation of the INSP, the term ‘strategic philanthropy’ is increasingly appearing in the literature and dialogue of the philanthropic sector. Absolute clarity on its definition and its implications for engaging in the practice are, however, not necessarily widely understood. Moreover, most discussion of the term up until now has largely taken place through the lens of European and North American foundations. The growing number of philanthropic institutions in parts of Asia, Africa and Latin America, however, present an opportunity to widen this research lens and, in so doing, offer a more nuanced understanding of what strategic philanthropy means in a context not heretofore studied. It will enable us to examine how foundations are being strategic in societies that display acute problems of poverty, injustice and inequity.

This paper draws on four cases from Indonesia and the Philippines. It sets out to achieve the following outcomes:

*First*, identify a framework for assessing how foundations engage in strategic philanthropy in order to bring enhanced clarity to the definition of strategic philanthropy.

*Second*, identify various principles that influence the choices foundations make regarding how they engage, or don’t engage, in strategic philanthropy. These principles cut across the framework developed in this paper.

This paper begins with an overview of strategic philanthropy definitions followed by a brief context setting piece on philanthropy in Southeast Asia and an overview of the specific foundations examined in this paper, which include the Community Recovery Program (CRP) in Indonesia, the Foundation for Sustainable Society, Inc (FSSI), the Foundation for the Philippine Environment (FPE) and the Philippine Business for Social Progress (PBSP) in the Philippines<sup>1</sup>.

## Overview of Strategic Philanthropy

In the last decade, a small but growing body of literature on the subject of how foundations can perform their work more effectively and thereby increase their impact has been emerging. In many ways, this literature seems to be responding to criticisms made against the philanthropic practices of U.S. foundations by those working both in the foundation sector and those on the ‘receiving’ end of foundation support. Frustration over a strong orientation toward ‘transactive’ philanthropy – what Emerson (200?, p.3) refers to as a “focus on the exchange of grant dollars for social good and not necessarily upon the long-term value generated by those philanthropic dollars” – has heightened pressures on foundations to go beyond only making grants to developing an approach that combines grantmaking and other non-grantmaking activities that seek to increase “effectiveness”, “focus” and “strategic impact”. At the core of this dialogue is the belief that foundations are actors that can bring about social change for the betterment of

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<sup>1</sup> Eugene Gonzales, a long time NGO and foundation leader in the Philippines, was also interviewed for this paper; his thoughts have been incorporated into the case findings.

peoples' lives. To accomplish this, however, foundations need to engage in their work as strategically as possible.

- We start with INSP's proposed approach to Strategic Philanthropy. The INSP articulates that strategic philanthropy "refers both to the working philosophy and the program strategies of a foundation. It originates from an entrepreneurial view of foundation activities which focuses around strategy, key competencies and striving for effective contributions to social change." Appendix 1 lists the many attributes of a foundation that may be striving to engage in strategic philanthropy as defined by the INSP. The definition is purposefully broad enough at this time to promote wide investigation into cases and examples; it is also not so prescriptive as to be formulaic.
- In the INSP working definition there are two elements that could be particularly important contributors to strategic philanthropy: focus and effectiveness. An approach that is *focused* identifies specific needs, issues and challenges in society and systematically addresses them over time through clearly defined multi-faceted programs. This approach focuses on the problem-solving process; identifying a range of material and appropriate human resources required to address a problem; and seeks to achieve specific measurable outcomes. Some important tools that Mittenthal (200?) recommends for foundations undertaking this focused approach include evaluation, working in partnership, and providing support for advocacy, communications and capacity building. Kramer and Porter (1999) also suggest that the use of a focused approach is critical if foundations are to increase the value of their work.
- One of the 2002 INSP break-out sessions on *effectiveness* stressed the need for foundations to consider an approach that moves foundations away from an output orientation to one focused on outcomes. It recommended that effectiveness should encompass such ideas as: partnership (i.e. connectedness with stakeholders, leveraging of knowledge, cross-foundation work); valuing the satisfaction of grantees; leveling the playing field between foundation officers and grantees; assessing impact; and enhancing accountability, among others.

Through the INSP we are engaged in a search for greater clarity on how to define strategic philanthropy in different institutional, cultural and political contexts. Foundations are faced with different choices to carry out their mission but they are also limited by factors of politics and financing, among others. The examination of how foundations with distinct origins, missions and visions are seeking to make a lasting difference in their own societies shows the creativity and diversity of approaches being used. With the analysis of varying cases, it may be possible to define a range of characteristics of strategic philanthropy in different contexts.

This raises a point that is at the core of an INSP paper by Diana Leat (2002) on social change theories and implications for foundations. She argues that the actions of a foundation are a product of how it perceives the central issues, the causal relations involved, the desired outcomes, and the steps needed to get from point A to point B. All of these decisions and

perceptions are also built on experiences of the foundation over time as well as different staff's own individual experiences.

Given the variation in approaches that foundations are expected to therefore exemplify, this paper does not set out to determine if a foundation *is*, or *is not*, practicing strategic philanthropy according to the full bulleted list of meanings adopted by the INSP. Rather than apply a universal definition, it sets out to identify examples of practices or situations that exemplify some aspects of strategic philanthropy. Examples of foundations' internal structures and systems as well as more external actions of foundations are therefore explored to seek out cases of strategic philanthropy in practice.

### **The Context for this Study – Philanthropy & Foundations in Southeast Asia**

Voluntary contributions of money, labor and goods to support one's community, and particularly those within the community who are economically impoverished, have long been traditions in Southeast Asian societies. Many of these practices are rooted in Christian, Muslim and Buddhist traditions. Non-religious organized philanthropy in the form of philanthropic institutions that raise money from various sources to distribute to civil society organizations is a relatively recent practice. Overall, the sector in the region may be characterized as one with an emerging number of philanthropic institutions that are responding to an array of issues using a multiplicity of mechanisms. While there may be a paucity of foundations created out of family wealth there is a growing presence of mixed private and publicly supported organizations, including those with endowments created from debt-for-nature swaps (see The Philanthropic Initiative's paper on Global Social Investing, 2001, for a brief but helpful overview of philanthropy in Southeast Asia). The majority started life as operating NGOs and incorporated a grantmaking role. Only a minority of foundations are endowed.

Within this region, there are also variations in the degree to which organized philanthropy is taking root. In Indonesia in 2000, 25 indigenous foundations surveyed by Synergos had disbursed a total of \$8 million in the form of grants and loans<sup>2</sup>. Five of these institutions were set up solely as grantmaking institutions and four of them are fully supported by international funding sources. The remaining foundations provide loans or undertake grantmaking as well as implement their own programs.

In the Philippines, the number of indigenous foundations is higher. In 2000, Synergos identified approximately 56 foundations addressing such complex issues as biodiversity preservation, land tenure, micro-enterprise development, conflict resolution, and NGO capacity building<sup>3</sup>. All of these undertook some grantmaking or loan-making to groups or individuals. In this country and in Indonesia too, the impact of foreign donor governments (and official development assistance

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<sup>2</sup> *Civil Society Resource Organizations: Indonesian Directory*. R. Ibrahim. 2000.

<sup>3</sup> *Civil Society Resource Organizations: Philippines Directory*. Association of Foundations & The Synergos Institute. 2001.

– ODA – agencies, in particular) has been fairly significant in terms of assisting the seeding of new foundations either with an endowment through debt swaps or with a trust fund<sup>4</sup>.

In both countries, it could be argued that foundations have attracted key national actors to fill executive positions, which is helping to place some national foundations at the forefront of movements for social change in these countries.

Dulany and Winder's (2001) paper on the status and trends in private philanthropy in the Southern hemisphere also provide various examples to contextualize the reasons behind the rising emergence of institutionalized philanthropy in developing countries, including the Philippines<sup>5</sup>. Perhaps one of the most relevant points made in this paper for this discussion on strategic philanthropy is that, like a growing number of foundations in North America and Europe, foundations in Southeast Asia are typically not just conducting transactions of money via grants or loans but are also playing a critically needed role in convening civil society organizations and in providing them with capacity building. It's the summation of these roles that make foundations such critical actors in developing countries and that necessitate further inquiry into their practices<sup>6</sup>.

A final important piece on the context of foundations in this region concerns interpretations of terminology. As might be expected, the term 'strategic philanthropy' is rarely used in Southeast Asia, either in English or in translation into local languages. In particular, the term 'philanthropy' evokes some discomfort for foundation practitioners. While giving has long been a feature of communities, philanthropy and its translation is not a familiar term. Generally speaking, no special term has developed to connote the exact meaning of 'philanthropy' as it used in North America and some of Europe. For the purposes of this research, therefore, more specific terminology was often used in discussions with foundations that focused on actual mechanisms used by the organizations to engage in raising resources, promoting community development, grantmaking, and loan giving. In addition, in reflection of the fact that external donors have seeded a number of foundations in developing countries, this paper considers philanthropy in broad enough terms to include foundations funded by ODA agencies.

A final note on terminology pertains to the understanding of the term 'foundation'. While in North America this term usually connotes an endowed organization (either doing grantmaking, operating or both) that seeks to support civil society initiatives, the term 'foundation' in the Philippines and Indonesia is interpreted to include the broad array of NGOs operating in civil society, donors and recipient alike. For example, less than half of the members of the Association of Foundations in the Philippines are grant-makers. The majority are in fact operating NGOs that are seeking funds to run their programs. In general in the region, only a minority of foundations are exclusively grantmaking. For the purposes of this paper, it is

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<sup>4</sup> *Increasing Aid Effectiveness through ODA Partnerships with NGO-Managed Funding Mechanisms*. D. Winder. 2002.

<sup>5</sup> *Status and Trends in Private Philanthropy in the Southern Hemisphere*. P. Dulany & D. Winder. 2001.

<sup>6</sup> The Asia Pacific Philanthropy Consortium (APPC) has also overseen the development of country studies that explore the dynamics of organized philanthropy and the enabling environment for it in various Asian countries. See [www.asianphilanthropy.org/appc/appc.html](http://www.asianphilanthropy.org/appc/appc.html) for more on APPC and its research papers.

recognized that while a foundation may have various important functions, the one shared by all is the transfer of financial resources to NGOs and community-based organizations (CBOs).

## **Cases**

Four foundation cases are examined in this paper: The Community Recovery Program (CRP) in Indonesia, the Foundation for a Sustainable Society, Inc (FSSI), the Foundation for the Philippine Environment (FPE), and Philippine Business for Social Progress (PBSP). While the examples illuminate detail on each of these cases, the brief descriptions below provide a basic overview of their respective missions and areas of support provided.

### **CRP**

CRP was founded in 1998 as an outcome of discussions between a group of bilateral ODA agencies and a consortium of 27 Indonesian NGOs. Both parties wanted to create a non-governmental mechanism that could disburse funds to support communities most affected by the economic crisis that hit Indonesia in the latter part of 1997. Four donor countries (the UK, Sweden, The Netherlands and New Zealand) pledged \$25 million to establish a trust fund to be administered by UNDP. UNDP in turn transfer the resources periodically to a newly created Indonesian foundation, CRP. The funds are to be disbursed as grants with a cap of 8% on administrative expenses. The foundation can therefore be considered a “pass through” mechanism as an endowment was not considered. The Indonesian NGO consortium selected a 12-member national council or Board comprised of national civil society leaders. This national council oversees the operations of the fund and works with approximately 30 regional offices to disburse grants across most parts of the country.

CRP’s vision is that poor communities become empowered and capable of meeting their basic social needs, gain access to resources and control over public policies through alliances and strategic partnerships to build a strong, democratic civil society with gender equality. Its mission is a six point strategy: “to encourage and stimulate poor communities’ initiatives based on local wisdom; to establish cooperation with poor communities in order to meet their basic and social needs, free themselves from obstacles to access and control of resources by establishing synergic efforts among the civil organizations, with the government, private sectors and international institutions; to strive to achieve social and gender justice; to establish local self reliant civil organizations in order to be capable of managing and acquiring the ownership of resources in a sustainable way; to carry out advocacy activities in order to change public policies and provide legal aid to poor communities through cooperation and alliances; and to provide information and public education” (from the Master Plan, PKM, 2002-2006).

Over the past four years, the foundation has supported over 1000 projects, most of them small grants to support community-based income generating projects. Their three main areas of programming are as follows: food security (e.g. to purchase agricultural equipment; engage in duck, chicken, goat, cattle, and pig husbandry); basic social services (e.g. for clean drinking water; provision of scholarships); and job creation and income generation (e.g. for distribution and marketing of products from the informal sector).

### **FPE**

FPE was established via a debt swap arrangement. It was the US government, operating through USAID, which endowed the foundation with the mission to strive for “an ecologically balanced, clean and healthy environment with communities living fully and caring responsibly for their environment.” Following several months of negotiations, FPE was registered in January of 1992. Their main areas of support are increasingly linked to the support of micro-regions. FPE has decentralized in recent years in order to provide for more input and decision-making autonomy at the local level. In 2001, they provided support for 70 grantees for biodiversity conservation.

### **FSSI**

In August of 1995, the governments of the Philippines and Switzerland signed the Bilateral Agreement on Reduction of External Debt. Via this agreement, the Philippines debt to Switzerland was cancelled and an endowed fund was created equivalent to 50% of the debt’s face value. The foundation was given the task of disbursing the interest earned on the endowment. Its vision is as follows: 1) Sustainable enterprises that are community oriented, ecologically sound, and economically viable will be supported and promoted; 2) Projects should provide maximum benefit for a maximum number of beneficiaries. Its mission is to serve as a resource institution for the economic empowerment of enterprising rural and urban communities in the Philippines. Civil society organizations in both countries were heavily involved in the design of the foundation and its board is reflective of the diversity of civil society in the country.

### **PBSP**

PBSP is dedicated to promoting the Philippine business sector’s commitment to social development. Organized in 1970 by 50 of the country’s most prominent business leaders, the foundation has since grown to be the nation’s largest and most influential business-led social development foundation. Currently, the foundation has more than 160 members, has worked with some 2,500 partner organizations, provided over US \$32 million in assistance to over 4,400 projects and benefited close to 2.2 million households. It runs programs in enterprise development and livelihood assistance; management training for civil society, business and government personnel; environmental protection and regeneration of watershed and forested areas; and corporate citizenship promotion. Its programs are a combination of grantmaking, credit and direct operation.

Its core development strategy is its Area Resource Management (ARM) program in which it focuses on specific communities but holistically so that capacities of all stakeholders are developed, resources are managed sustainably, social services are delivered effectively, and local businesses are competitive.

## A Framework for Strategic Philanthropy

Based on the research conducted, a three-pronged framework for understanding approaches to strategic philanthropy is posited. The framework consists of the following categories:

**Issue Selection & Program Response** – The issues, problems and challenges identified and the programs developed to respond to these needs within the vision and mission of the foundation.

**Resource Transfer** – The array of mechanisms used to transfer financial and non-financial resources to communities.

**Organizational Structure** – The organizational structure in place within foundations to support strategic philanthropic practices.

This framework reflects the INSP’s articulation of strategic philanthropy as both a working philosophy and programmatic strategy of a foundation.

### Issue Selection & Program Response

Every foundation begins by identifying a set of challenges or needs it seeks to positively impact on. How a foundation moves from its vision or mission to specific program foci entails considering a wide array of options – options influenced by both needs and opportunities. The decisions made can then be thought of as being either more or less strategic. The cases explored pointed to three main indicators of how foundations may be more or less strategic in identifying issues to support. These are the degree to which foundations:

- Aim to impact on social change processes and social justice outcomes<sup>7</sup>.
- Try to learn as much as possible about the relevant issues at hand and seek to identify causal relationships that link the micro context with that of the macro.
- Act on this to then select and support those partners that will work most effectively to attain the foundation’s desired outcomes.

To address the **first indicator**, the case of CRP provides an interesting case of a foundation moving from grantmaking that solves immediate needs (such as in nutrition and health) to that which addresses underlying root causes of crises. With the opportunity to have a Trust Fund to address poverty in the economically devastated country in 1998 on the heels of the Asian economic crisis, there was little room for determining what the parameters should be. Filling the major gaps in the country’s social safety net services was essential. The foundation in effect

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<sup>7</sup> The Synergos Institute is currently researching social justice in relation to philanthropy and its relevance to foundations in Southeast Asia, Southern Africa and Latin America. An international working group for this project has been mobilized and a definition of social justice developed by the group. This definition is: *The process of empowering marginalized groups to take control of their destinies by mobilizing, leveraging and distributing human, financial, and material resources. The process also involves transforming individuals, institutions, and relationships within society to reduce social, economic and political inequity and to increase access to rights, resources, and opportunities.*

responded as individuals and organizations around the world do in crisis situations – with a crisis mentality. Three themes were accordingly developed: food security; basic social services; and job creation and income generation. In these areas, the foundation is interested in selecting those communities and regions where the poorest of the poor live.

As Dr. Emil Salim, the Chair of the National Council overseeing the work of CRP, articulated in the foundation's 2001 Annual Report in reference to the foundation's beginnings: "there was no time to learn". The Asian economic crisis that hit Indonesia in 1997 pushed poverty levels from an already high level of about 14% in 1996 to about 40% of the population – or approximately 80 million people – by 1999. Currently, still 18% of the population is thought to live at levels below the poverty line.

What is significant about the case of CRP is the current change it finds itself in as it moves from a mission that has been largely focused on *recovery* (the 'crisis mode') to one that has *social justice* at its core. The following excerpt from its Strategic Plan statement exemplifies the transition the foundation is currently embarking on: "The recovery strategy that was intended to immediately respond to the crisis and that was formulated primarily for providing funds for the poor communities in order that they could meet their needs but in fact was used for improving their material economy was in fact insufficient. To respond to the challenges of the future, the recovery program strategy has to be integrated and developed into a strengthening strategy as a way of looking at poverty in a more structural way and taking into consideration the gender perspective as a root cause of the helplessness of the poor communities. Poverty should also be looked upon as a deprivation of resources (economic, political, social and cultural) through a systematic process of disempowerment" (CRP Annual Report, p. 2).

As CRP duly recognizes, however, achieving social justice outcomes at this time may be very difficult for foundations and communities in Indonesia. With a weak government still fighting corruption and a faltering economy gradually gaining stability, current systems and processes are not yet sufficiently strong to be able to realize social justice outcomes. What is possible, states CRP staff, is that they can achieve social change. At the same time, CRP recognizes that the abject poverty of some households means that basic social services provision – of food and health – is needed before these families can adequately advocate for the root changes needed for equity to exist. For this foundation, social change is a critical process that will result eventually in social justice being fully realized.

The following is an example of assistance from CRP that is more aligned with their increasingly strategic pursuits aiming for social change. In the coastal town of Perbaungan in North Sumatra, several fishermen were killed and some seriously injured in accidents allegedly caused by large trawling operators. Recognizing that many families subsequently lost their main, or only, income source, CRP made a series of small grants to the fishermen's widows to enable them to generate new income opportunities. With their grants the women bought fishing boats that they rent to fishermen in the vicinity. At the same time, however, CRP also focused on helping the women learn more about the circumstances of their husbands' deaths. While the trawling companies maintained that the deaths and injuries were only accidents, the repeated number of incidents and other facts surrounding the deaths caused the community to believe that these were purposeful killings motivated by intense competition over modest fish supplies. CRP accordingly worked to facilitate meetings between the widows, those fishermen still operating

their own small fishing businesses, and a legal aid foundation. The purpose of this was to raise awareness among community members about the rights of the fishermen in conflict with the companies that threatened their livelihoods.

This change within CRP also reflects the **second indicator**. The national secretariat is directly recognizing the value of learning from its 24 regional offices. Increasingly, CRP is moving towards a framework in which working with the active involvement of all stakeholders, including the NGO consortium, the national secretariat, donors, grant recipients, and regional office staff, as appropriate, becomes the norm for decision-making processes within the foundation. The experiences of all involved and the many lessons learned from those approaches tried thus far then feed into the foundation's decision-making processes on themes and issues to support. This was particularly highlighted through an intense evaluation of the foundation involving 10 field research staff and gender and community development specialists conducting field surveys of communities in a sample of 5 provinces.

An important, though indirectly conducted, element of CRP's strategic thinking is therefore to align their support for initiatives at the local level with macro level issues. For example, CRP supports learning activities that help community members gain greater understandings of their rights as citizens in dealing with the Indonesian military, which continues to sponsor and engage in human rights violations.

The case of FSSI further delineates the value of understanding fully the intricacies of the issue at hand in a manner that links macro level issues with micro level opportunities. One of their more successful endeavors that exemplifies this approach is their support for the harvesting of coconut fibre (called 'coir') as a product for mainstream markets. In the course of FSSI's own research, it learned that many of the poor in the country harvest coconuts for their own consumption and to sell in the marketplace. But what was striking was the realization that the skins of coconut were going unused. An entrepreneur that the foundation's executive director met by the name of Dr. Justino Arboleda, however, was trying to develop ways to use the coconut shells and the tough fibre in particular. Combining this knowledge with their core competency in micro-enterprise development, the foundation invested in this product by helping to form a joint enterprise with Dr. Arboleda. Dr Arboleda provides the technical and marketing support while a range of community based enterprises provide labor, raw materials and production skills. These enterprises produce nets, rolls and mats that control erosion on steep slopes. Today, Coco Technologies sells these coir-based products domestically and internationally. Through the provision of technical and marketing expertise community enterprises have developed additional products such as coco peat-seaweed natural fertilizers and growing media; and coco coir home garden and agricultural products.

In the case of PBSP, the foundation also values the role of constant learning that links the macro to the micro contexts. It has used the learning experience of its thirty-year history to develop a methodology for evaluating issues by talking with all relevant stakeholders. As a PBSP Program Director states, this research is to validate *what* the issues are at hand, help the foundation better *understand* these issues, and then help inform their strategic *response*. Added to this is a strategic planning process that the foundation conducts every five years as a joint initiative of the Board and Management of the foundation. Local and international networks of which PBSP is a part enable the foundation to remain up-to-date on those current issues, debates and trends that

always influence their five-year planning stages. The current management still quotes a previous Executive Director who always urged staff to consider three simple but critical questions in their poverty-reduction efforts: Who are the poor? Where are the poor? Why are they poor?

In the case of the **third indicator** – choosing partners to carry out the foundation’s mission and vision – foundations again have choices before them. In the case of both CRP and PBSP, the foundations indicated a preference to support organizations (NGOs or people’s organizations) with a proven track record. CRP looks to support organizations that have systems already set up that can demonstrate accountability and indicate capacity to handle grants.

In the case of PBSP, they are looking for recipients who can meet three criteria: credibility, capability and a willingness to partner with PBSP itself. Credibility refers to status: are they considered legitimate actors? Do they have a governance system in place? In the area of capability, they are looking to largely support organizations with track records in terms of both activities performed and presence of financial management systems. Underlying its emphasis on looking first for organizations with a track record is its belief that PBSP can only be as effective and strong in the field in meeting its mission as its partners are strong and capable. In terms of the last criterion, this speaks to the match between donor and recipient and PBSP emphasizes that this is a partnership. Like any effective partnership, there needs to be clarity about the nature of what each wants and gains from the relationship and whether or not the recipient has sufficient additional resources (both human and financial) to meet the overall goals of the project funding.

Having said that, both CRP and PBSP identified that where there is a dearth of appropriate NGOs or CBOs with a track record in place, the foundation may select an organization that is able to demonstrate the *potential* to absorb funding and be accountable to the foundation. In the case of PBSP they are able to provide capacity building for those organizations.

In summary, the issues selected and responses formed can provide some guidance as to whether or not a foundation is thinking in strategic terms. The following are positive indicators of having achieved this:

- The foundation seeks to achieve systemic understandings of issues relevant to the contexts at hand. This permits the foundation to develop strategies of support that promote social change and, over time, greater social justice impacts.
- The foundation provides support for an issue on multiple levels in order to learn as much as possible about the issue at hand as well as to reinforce the micro and macro causal links observed. Support may therefore include direct support for community level economic empowerment initiatives as well as support for efforts to bring about related changes at the policy level. The foundation recognizes that there may be multiple agents of change in working toward its vision.
- The foundation takes great care in selecting partners who will help the foundation best achieve its objectives.

## Resource Transfer

It is in the area of resource transfer from foundations to civil society organizations, that the cases from Southeast Asia demonstrate perhaps the most interesting expression of strategic philanthropy. This section will explore this theme by examining two main themes:

- The role of grants and credit in supporting communities and civil society initiatives.
- The role of non-financial instruments such as capacity building to support communities and civil society initiatives.

While foundations around the world are characterized by varying approaches and philosophies, they do share a goal to mobilize money to then directly or indirectly transfer to CSOs. In some cases, these are operating foundations that turn financial resources into programs they themselves coordinate. Others typically pass a portion of these financial resources on to communities and projects (most commonly as grants). Still others employ a mix of the two approaches.

While in the case of foundations in North America the financial mechanism most often employed to transfer money to partners is the grant, foundations in the Philippines and Indonesia use varying forms of grants and credit, including loans and equity. What is clear from these cases is that in assessing how to support an initiative, the foundation needs to assess which of these vehicles of support have the greatest relevance to the particular need and opportunity defined. Conducting this assessment can then exemplify strategic philanthropy.

For example, CRP in Indonesia was seeded by foreign government money and created as a grantmaking foundation. Like many other foundations in Southeast Asia, however, one of CRP's main strategies to achieve its mission is supporting income generation activities. With that strategy in mind, a significant proportion of funding leaves the foundation as grants to community-focused NGOs but turns into revolving loan funds controlled by these receiving NGOs for community members to access. Loans are then made available to community members wishing to leverage either an existing business or develop a new income generating opportunity. The other, much smaller, proportion of grant money is passed on from the NGO to the community as a grant often for activities such as convening the community around critical issues or for the community to learn about human rights, a critical issue in Indonesia right now.

In the case of FSSI, while it was also set up via arrangements with foreign governments, it has always had a strong orientation toward what could be considered an approach akin to venture capitalism. For example, the foundation supported the NGO 'IDEAS' (Institute for the Development of Ecological and Educational Alternatives, Inc.) to develop a municipal waste management program for the town of Silang, Philippines. How it did this was by actually investing in the creation of a new corporation jointly owned by IDEAS, FSSI and local stakeholders. FSSI provided a loan for the acquisition of fixed assets and an accompanying grant to support training and research activities for IDEAS staff.

FSSI's support for the entrepreneur in the coir project described previously also exemplifies FSSI's "search and development" model. In this model, it seeks out entrepreneurs in communities who already have a concept that in some way demonstrates potential (perhaps by

having been tested in some way or perhaps by just being thoroughly mapped out) but need a financial investment to fully leverage the concept.

Similarly, one of the most interesting programs currently being developed at PBSP is that focused on small micro-enterprise development. Aiming to support small business revenue generation, most funds invested in this program have been extended as credit to small enterprises as investments in the growth of the business. In recognition that often these entrepreneurs don't necessarily have sufficient skills to fully realize gains from the benefits of their business, the foundation has started to scale back the amount of investment it puts in as credit. Instead, it is providing grants to NGOs whose expertise is in skills development for entrepreneurs (in areas such as marketing and accounting).

While this dual model of utilizing both credit and grants demonstrate significant potential, discussion of it in the literature is remarkably scarce (one exception is Mittenthal, 2002, who does suggest that foundations should consider loans and investments in its roster of financing options).

What interviews with these foundations pointed to is that grants may be the most strategic choice in the case where a foundation seeks to support cultural, educational or arts-related activities. They are also certainly the right choice to support capacity building and convening activities (discussed below). In some cases, recoverable grants are being used as somewhat of a bridge between grantmaking and loan giving. The grant in this case is made with the obligation that the recipient returns the grant to the foundation, though without any interest owed. Credit, however, may be the most strategic choice for a foundation that seeks to generate income-earning opportunities for an individual or group. Moreover, credit may be a critical leveraging instrument to raise additional capital.

Related to this domain of how foundations can invest in the most strategic way possible is the question of how foundations should cope with the large demand for their resources. How many grants should they give and of what size? For example, CRP up until now has largely made just small grants of a year or less to a large number of NGOs and community-based organizations. While some of these organizations may end up receiving support year after year from CRP, the thinking behind the support is nevertheless fairly short-term. As the foundation begins to alter its grantmaking plans in line with the outcomes of its strategic planning work, however, it is seeking to concentrate its efforts in selected micro-regions with a commitment to provide support over a number of years. The question of how much foundations should really nurture their partners needs to be investigated further and should be pursued in future research on the nature of strategic philanthropy<sup>8</sup>.

The second theme of this section is the increasingly important role for capacity building for CSOs. National foundations in Southeast Asia are recognizing that capacity building for NGOs and civil society organizations alongside other investments is often critical to ensure that the foundation realizes its greater goals. A major learning point for FPE, for example, has been that while it is critical to be funding activities that specifically support biodiversity conservation,

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<sup>8</sup> Letts, Ryan & Grossman's 1997 paper discusses the opportunities for foundations to think more like venture capitalists and adopt a more nurturing long-term attitude towards its partners.

support for capacity building for community-based organizations (CBOs) through NGOs is also absolutely essential to realizing their mission of biodiversity conservation. The FPE model to achieve this is to work with a partner NGO that is available on demand to conduct capacity-building for CBOs.

Capacity building includes support in building systems, procedures and human resources and also the provision of substantive information on bio-diversity issues. The foundation is currently exploring ways to facilitate greater levels of information flowing to farmers and other producers so that they can participate knowledgeably in the market place. While some of this is still in the initial planning stages, at the core of the idea is the recognition that the playing field needs to be leveled such that poor, often rural, communities can directly access markets. In conjunction with local businesses and governments, FPE is considering how technology can be used to facilitate this process – by setting up Internet centers that farmers can pay to access real time information on trading prices for particular crops, for example.

In summary, the mechanisms adopted by a foundation to transfer its resources to NGOs and CBOs can demonstrate strategic philanthropy. The following are positive indicators of this:

- The foundation seeks to adopt that specific funding mechanism that best suits the context at hand, be it a loan, grant or equity.
- The foundation recognizes the importance of complementing funding support with appropriate capacity building.

## **Organizational Structures**

As Kramer and Porter (1999) argue, strategy is not just about what an organization *does* but also about how it *runs* itself – the internal policies, procedures, and systems for staffing and governance. We can consider such matters of organizational structure and processes to be relevant also for achieving the desired outcomes of strategic philanthropy. As will be demonstrated in this section, examples from the cases in the Philippines and Indonesia raised the following related points:

- A foundation can invest a portion of its endowment in organizations and initiatives that reflect the mission and principles of the foundation (i.e. mission-related investment).
- By collaborating with other stakeholders, a foundation can leverage its financial, human and institutional resources with those of others to realize a greater impact than by acting alone.
- A foundation operating nationally needs to allow for some measure of delegation of decision-making to the local level.
- Impact evaluation can be a helpful tool for a foundation to reassess its role in relation to the issue(s) it seeks to address.

In terms of the first point, FSSI provides an example of how a foundation can be strategic in its investment management decisions, which in turn helps promote its mission. FSSI chooses to invest an increasing percentage of its endowment in local development financial institutions that support the very clientele the foundation is seeking to support through its programs rather than only investing their money in commercial banks. The rationale behind this is evident: the poor and very low-income earning strata of society are very rarely permitted loans from commercial banks or the opening of savings accounts.

Indeed, new local financing institutions are gradually developing in the Philippines to address both of these needs. In some cases, established banking institutions are becoming aware of the fact that micro-lenders are highly credit-worthy. By investing part of its own endowment in these institutions FSSI is leveraging its own investments. While the investment in community level banking institutions currently amounts to 20% of the foundation's portfolio, it is gradually increasing that percentage. As the Executive Director of FSSI remarked, such an approach requires a paradigm shift amongst those in the world of philanthropy so that those responsible for foundation investment can view the investment strategy as a critical part of pursuing the foundation's mission.

In terms of the second point, collaboration with other stakeholders was a point of discussion raised in each of the cases (and is certainly an area of discussion increasingly popular in the literature of the philanthropic sector). Relationship-building with local and federal governments, others in civil society, NGO partners of the foundation, academia, and corporations can often be critical to realizing strategic philanthropy. It obliges the foundation to recognize what resources it can bring to the table, what it cannot, and how it can leverage what it has by bringing in others who can fill these gaps (not just financially but also in terms of knowledge and ideas). By partnering with government, foundations can potentially help to influence policy directions and decisions.

In the Philippines, an increased capacity for partnership may have been partly inspired by the gradual rise to prominence of civil society organizations, particularly following their role in the overthrow of the Marcos regime. This has led to many NGO leaders stepping into prominent government positions. They are then able to see the value of NGOs as partners in development programs and have initiated a range of collaborative efforts with NGOs.

In the case of FPE, it has been at the forefront of catalyzing important collaborations to support biodiversity management and conservation efforts. In 2001, for example, it collaborated with the UNDP. The latter provided a project development grant to a selected NGO while FPE supported a community consultation process for the NGO to reach out to the community. Also adding to FPE's collaborative approach is the realization that good governance is critical for achieving successful biodiversity conservation efforts. This is due in great part to the formation of local development plans by government, which ultimately end up having a significant impact on biodiversity protection. FPE consequently reaches out to local government units in micro regions where they work, involving officials in training events and meetings.

In the case of PBSP, the foundation feels collaboration is at the core of its implementation strategy, meaning it is about maximizing and utilizing resources effectively such that as a whole, all necessary resources are being directed to create the most desired strategic impact. PBSP's

Area-Resource Management program is a particularly collaborative process, built on the recognition that the foundation itself can only be one contributor to the integrated development of micro regions.

FSSI has instituted collaboration in its General Assembly in which a broad cross-section of more than 50 individuals come together twice a year to vote on issues of the foundation's vision and mission.

In terms of the third point, national foundations supporting community-based initiatives in both the Philippines and Indonesia have realized that the perspectives of local actors need to somehow be heard by the foundation's central office. Responding to this challenge can be helped by an assessment of various models of organizational structure that can aid the foundation to decentralize effectively.

With more than six thousand inhabited islands and a history of strong political and economic centralization in the capital of Jakarta, Indonesia is a country particularly challenged to listen and respond to voices at the grassroots level. Although set up with 24 regional offices, a major evaluation of CRP conducted in 2001 pointed to the fact that in order to create greater impact at the community level, systems and controls largely being managed by the national office need to be devolved more to the regional offices. The foundation is currently working to develop an enhanced system of decentralization and is struggling to determine how to empower regional staff to feel more capable of being in charge of raising and distributing funds to communities<sup>9</sup>.

Following an intense decentralization process, FPE similarly established three regional offices with decision-making power over grants. It is currently seeking to build even more accountability within the regional offices under its decentralized model that includes having these offices be responsible for leveraging a proportion of their grant funds with the support of other stakeholders.

In terms of the fourth and final point, the role of evaluation demands a place in the discussion of strategic philanthropy. Indeed, evaluation is no longer a new subject in the literature of the philanthropic sector as it is well-recognized as a tool that can help a foundation assess where it needs to improve, including moving in a more strategic direction. As a foundation distributing public funds donated by foreign countries, CRP has experienced an intensive evaluation of its activities since its creation. In late 2001 it undertook a multi-layered evaluation process, conducted by a sociologist, gender specialist, and community development specialist along with 10 field research staff who led the process of conducting field surveys in a sample of 5 provinces. This team set out to assess the effectiveness of the approach adopted by CRP thus far and impacts on the intended beneficiaries. It also identified lessons learned and define options for its future mandate. It was this evaluation that led to the realization that the foundation had been too focused on the provision of welfare services and assistance to vulnerable groups, and not enough on empowering community-based organizations themselves to address the root causes of poverty.

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<sup>9</sup> Synergos is in fact working with the foundation right now on a capacity-building initiative to help them build a strategy for decentralization.

The strategic plan adopted by the foundation following this result is a fascinating account of a foundation recognizing the limitations of its initial approach. The plan sets out a new programmatic approach in a transition to becoming a more strategic foundation. It builds on elements of its earlier approach that had worked. The evaluation resulted in the foundation developing a forward thinking strategic plan in which it sets out the following five ‘strategic issues’ the foundation will address: *first*, how communities themselves can gain access and control over resources to meet their basic needs; *second*, how CRP can facilitate and build capacities among the partners and alliances they work with so that they are empowered; *third*, how to promote advocacy; *fourth*, how the national office can increase its own capacity and management abilities to be more effective; and *fifth*, how the regional offices can in turn build their capacity and management efficiency to work synergistically with communities.

In the Philippines, FSSI has developed a strong slate of monitoring and evaluation steps to ensure grant and loan funds are used for the purposes for which they were given and that they are clearly accounted for. These steps include quarterly reports, staff monitoring visits and annual external audits of each project. An ex-post evaluation study is completed for each project either by FSSI or an external consultant.

PBSP applies a rigorous measurement of income levels in assessing whether or not the foundation has made an impact on people’s lives. This measurement is that: at least 20% of their beneficiaries must have achieved income above the poverty line as a result of the program, 36% must have a 100% increase in income and 44% must experience some level of increase. PBSP takes evaluation seriously and applies it to each project it supports and also to the foundation itself prior to each five-year planning stage.

## **Influencing Principles on Strategic Philanthropy**

Certain underlying principles influence the choices foundations make over their lifetime – choices which may be more or less strategic. These principles may be seen as cutting across the three broad categories of the framework set out above describing how foundations engage in practices of strategic philanthropy.

**First**, practicing strategic philanthropy is a deliberate process. It implies that a foundation is being very clear about its decision to want to take such a direction and this implicitly means that the foundation is likely to adopt risk at some point as it tries out new ideas and processes; evaluates; and learns from its mistakes and successes.

**Second**, foundations are often pushed to think about how to be as strategic as possible when faced with demands that far exceed their financial resources. As suggested previously, foundations in Southeast Asia are not usually endowed by the wealth of families but rather struggle to secure sufficient funds to both fund their operations and programming. A scant few have endowments (in the cases for this paper, only CRP does not have an endowment but it does have a dedicated trust fund until 2006). Even those with endowments, however, have faced very hard times in growing them sufficiently, especially with the difficulties imposed by the economic crisis that hit in the late ‘90s.

The excess demand for resources over funds available can lead foundations to recognize what resources it can offer and what it cannot in terms of money and human and institutional resources. It can also encourage foundations to consider how it can leverage its own resources as strategically as possible by investing in, or collaborating with, others. FSSI and FPE both look to the ideas of individuals – the entrepreneurs – to determine how the foundation’s funds may be leveraged for maximum impact. And third, it may encourage the foundation to consider its own comparative advantage and true niche it fills thus constructing a focused and clear agenda.

In the latter case, organizations need to recognize, consider and apply their core competencies or comparative advantage in order to realize the foundations’ missions. This is a striking reality when looking at PBSP. As a corporate initiated and member-based foundation, PBSP is increasingly looking to its own membership to do more than act as donors to the foundation. It is looking to then help provide assistance and expertise to the foundation’s programs that specifically help small and medium enterprise development. After all, this is the comparative advantage that such a membership offers and is the true place where business and community converge. Extending out from this is a clear decision made by the foundation to also recognize the business community as stakeholders in community development who need to be involved in solution building when they have a significant presence in a community.

Some might say that this is therefore all about the degree of focus a foundation adopts. Focus is difficult to analyze because it depends on how ‘deep’ and ‘particular’ one thinks a foundation needs to go in order to be ‘focused’. PBSP feels that it achieves focus when its relatively small amount of financial resources is directed to a specific niche where it thinks it can achieve the greatest impact. Focus can involve both the thematic choices and that of geographic coverage.

Perhaps focus itself is not so important as the processes a foundation undertakes to achieve whatever it determines its focus to be. For example, in some cases, foundations clearly struggle with a need to balance a desire to focus thematically with a desire to take a holistic perspective of a situation. CRP was designed to be able to provide support for a range of activities in the belief that economic development alone was not sufficient to help communities overcome the crisis – it was set up to address the need for reconciliation, health, education, and safety within communities.

**Third**, those foundations interviewed implicitly share a dedication to the concept of building on community assets and strengths to inform their thinking. In this mode, these donors are shifting from being drivers of the community development process to facilitators of the process and recognizing that this is their *catalytic value*. This is as much behind the thinking on decisions to use credit as a form of support as it is behind decisions to absorb capacity building into its agenda.

CRP, for example, is increasingly looking at what they call in their Master Plan for 2002-2006, “local resource potentials” of communities, realizing that empowering communities to act on and leverage those resources that already exist locally – existing social capital – will be a critical link in the movement for meeting social justice ends. This change is also reflected in current discussions happening on whether to change the name from the ‘Community Recovery Program’ to perhaps the ‘Community Recovery *and Empowerment* Foundation’.

**Fourth**, foundations need to be learning organizations, constantly examining experiences over time and using this knowledge to reassess the choices ahead for the foundation. Ultimately, an intervention of a foundation to do a specific activity or fund a specific project is one built on the experience of previous interventions, including those that were successful and those that failed. While several examples point to the advantage that time can provide a foundation intent on being a learning organization, young organizations can also learn quickly when the desire to do so is present.

For example, CRP has conducted a very intensive evaluation of its work in the country despite being only four years old. The foundation took this opportunity to reflect on its internal structures and outputs. It was critical of the fact that it had not thought enough about how to strengthen civil society organizations; that it had tended toward an overly bureaucratic system; and that, among other items, there had been a lack of effective mechanisms for identifying and analyzing the underlying causes of poverty. While during the three years covered by the evaluation certain programmatic changes had been made, no corresponding organizational changes were put in place. As a result, this evaluation pointed to overlapping functions and roles occurring between regional and national offices.

In the case of FPE, its initial years were characterized by an eagerness to transfer funds in order to demonstrate a track record (similar to Emerson's point on tendencies toward transactive philanthropy discussed at the beginning of this paper). This went along with an overemphasis on FPE's role as a grantmaker and little on its accompanying role as catalyst for cooperative approaches to biodiversity conservation and fund-facilitator. FPE is currently engaged in a review of its five years' experience.

In another example from PBSP we can come to see how the foundation is a learning organization not just in looking back at the organization's experience but also in experimenting or tinkering with new technologies and innovations to achieve desired results in new ways. This is the origin behind its Center for Rural Technology Development and Center for Corporate Citizenship, among others. The former takes technologies generated by government and international research institutions and tests them for use by small farmers. It is then able to determine if the technologies are environmentally friendly, cost-effective and socially acceptable. Once the technologies are determined to meet these minimum standards they are disseminated and promoted in the geographic areas where PBSP is active. The foundation's program staff includes them also in their poverty alleviation programs. In essence, PBSP takes up the challenge of testing and developing new technologies – or innovations – and approaches to social development for the purposes of: enhancing its on-going poverty alleviation programs; and equipping itself with new methodologies, programs and expertise that will make PBSP more relevant and responsive to emerging needs of the rural poor.

## **Conclusions**

In conclusion, it's important to highlight a statement made at the beginning of this paper. That is that foundations may not reflect the ideals of strategic philanthropy in their entirety. Certain practices and structures of the foundation, however, may exemplify practices of strategic

philanthropy. And while we can extract general lessons learned from these examples, it is the very up close analysis of the situational context of the foundation that illuminates precise ways in which foundations are, or are not, adopting strategic philanthropy. Assessing the ways in which foundations may practice strategic philanthropy may be difficult though given the broad definition and nature of the term; this paper has suggested a framework for examining foundations using the following three main categories of investigation: the issues selected by a foundation to address and the subsequent programs developed in response; the mechanisms used by the foundation to transfer resources to NGOs and CBOs; and the organizational structure of the foundation in place. This framework reflects the INSP's belief that strategic philanthropy refers to both a working philosophy and the program strategies of a foundation.

Achieving strategic philanthropy in all three areas of this framework may be very difficult for a foundation given the various constraints institutions in societies are often up against. As Leat (2002) points out in her paper, there are five main areas of constraints faced by foundations. These are: *legal* constraints that perhaps inhibit a favorable working environment for foundations; *time* in terms of the lifespan of a foundation; the *culture* in terms of attitudes toward, and concepts of, philanthropy as well as attitudes toward risk; *financial* in terms of not having many assets but also in terms of having donors wanting to dictate the direction of the foundation because of their financial support; and *knowledge* within the foundation staff and board. Against all of this is the reality too that engaging in strategic philanthropy requires time and commitment – trying new ideas, reflection, gaining understanding, etc., all require a significant commitment from the entire set of stakeholders of the foundation. Moving towards more practices of strategic philanthropy is an evolving process. In this process and amidst the varying constraints, however, the cases examined in this paper demonstrate that foundations can still make strategic choices and execute strategic actions within the constraints mentioned above.

Given the objective to explore how more northern foundations and philanthropic support organizations can help foundations elsewhere think more about strategic philanthropy, it is important to recognize that the process would benefit from documenting more cases of approaches to strategic philanthropy in developing countries and that a learning agenda based on peer-to-peer learning be explored in order to encourage the adoption of structures and practices that are reflective of strategic philanthropy.

## Appendix 1

Strategic philanthropy as understood in the INSP project involves institutions that are driven by...

- a vision of the desirable society of the future,
- a distinct value orientation in their activities,
- a concept of social change to the effect of greater social justice rather than the mere grant-making to address social problems,
- the conviction that foundations serve as a laboratories to develop model solutions, new ways of thinking, and new understanding for resolving societal problems,
- the awareness that innovative models and approaches should include both blueprints and a focus on practical implementation and applicability,
- a concern for the effectiveness of their philanthropic endeavours,
- a proactive approach, be it in their own activities, be it in partnering or grant-making,
- an awareness for capacity building and organizational learning among grantees/partners,
- a public policy orientation driven by the potential of taking project results to scale on policy levels,
- the insight that philanthropy provides for investment in the production of public goods, preferably aiming at innovations or increased effectiveness.