

Synergos

**Innovations in Strategic Philanthropy –
Comparative Lessons from Asia, Africa, Latin
America and Central and Eastern Europe:
The Case of Mexico**

Paper Prepared for International Network on
Strategic Philanthropy

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2004

Introduction

Major Trends in the Philanthropic Sector

In Mexico there is a tradition of individual philanthropy, expressed in the giving of resources and volunteer support to others in need or to community endeavors stretching back to pre-Hispanic cultures. In colonial and post colonial times the Catholic Church was a recipient of increasing individual giving. However we will focus here on the formal philanthropic sector (i.e. philanthropic institutions independent of the state and religious organizations that mobilize and channel resources for the public good.

From modest beginnings in the 19th and early 20th centuries this sector has expanded rapidly in the past twenty years to become a significant actor in supporting a burgeoning nonprofit sector. A recent study by Alejandro Natal¹ examined the foundation sector, based on a sample of 74 foundations out of an estimated 120 in the country. The profile he presents provides insights into the factors that have influenced this expansion and the role these organizations play.

Looking at the historical development of institutional philanthropy in Mexico, Natal identifies three generations of philanthropic institutions (he uses the term “donor” organizations – even though many of them are both grantmaking and operating). The first generation, pre-1940, were predominantly independent institutions created by the Catholic Church or by wealthy individuals of faith to dispense charity to the needy. They were characterized by family board members as “patrons” and generally supported the same nonprofit organizations year after year or gave small donations to individuals.

The second generation, 1940-1960, were also created in their majority by individuals of faith. They differed from the first generation in that they moved beyond charity to support development activities such as the provision of training and credit to small farmers to address the issue of increasing rural-urban inequality. An example of this generation of foundations is the Fundación Mexicana de Desarrollo Rural (Mexican Foundation for Rural Development).²

The third generation (1960s to the present) can be divided into two periods, 1960-1984 and 1985 to the present. The first period saw a modest increase in the number of foundations with four being created and showed a tendency towards more professional institutions responding to increasing demands from a growing civil society sector. An increasing number of civil society organizations took on human rights issues in response to increasing involvement of the Catholic Church in the promotion of social justice. Others demanded attention to the needs of the rural and urban poor and indigenous peoples. The violent

¹ Natal Alejandro “*Recursos Privados para Fines Publicos: Las Instituciones Donantes Mexicanas*” Synergos Institute, Centro Mexicano para la Filantropía and El Colegio Mexiquense, México, 2002

repression by government forces of student demonstrations in Tlletelolco in 1968 was another contributory factor to the increasing mobilization of civil society.

1985 proved a watershed both in terms of the growth of civil society organizations in general and the foundation sector in particular. That was the year a major earthquake struck Mexico City, resulting in widespread destruction of low income communities and heavy loss of life. Frustrated by the slow and inadequate response of the government, a strong and well-articulated civil society movement emerged to take on the leadership of the reconstruction efforts. In 1985-86 alone, 10 foundations were created to support social development programs (six of them grantmaking and four operating).

In the years following the earthquake, civil society organizations turned their attention increasingly from reconstruction activities to efforts to create more democratic, just and accountable systems of government. Others built on earlier efforts to increase citizen participation in local and national government within the context of respect for local cultures and initiatives. A large number of networks and consortia of NGOs were created around specific themes such as human rights, the environment and electoral rights to facilitate the coordination of efforts. By the turn of the century there were approximately 15-20,000 nongovernmental organizations in Mexico.³ They have become an increasingly potent and visible force for change at both the local and national levels⁴ given their ability to be creative and innovative and their increasing capacity to be financially self-sustaining.

This expanding civil society movement has made a major contribution to the transition from a one party state to a multiparty state in the year 2000. Particularly critical was the role played by the "Alianza Civica" (Civic Alliance), a national consortium of civil society organizations that mobilized citizens to ensure fair elections.⁵

The rapid growth of philanthropic institutions has accompanied this expansion of the NGO sector. However the argument can be made that the increase in the number of foundations and philanthropic institutions failed to keep pace with the burgeoning civil society sector.

² Fundación Mexicana de Desarrollo Rural – Case Study, The Synergos Institute, 1995

³ This was a dramatic increase in the size of the Mexican nonprofit sector in a fifteen year period. However despite this growth, Mexico still lags behind other countries. A study by Gustavo Verduzco et al for CEMEFI and the Johns Hopkins University Institute for Policy Studies, Center for Policy Studies (*Perfil del sector no lucrativo en Mexico por Gustavo Verduzco, Regina List and Lester Salamon*) shows that despite the fact that it employed 94,000 employees and 47,000 volunteers and had operational expenses of 1,300 million dollars in 1995 the Mexican nonprofit sector was in the bottom quartile of 22 countries surveyed.

⁴ For an analysis of the role civil society has played at the national level see "El Desarrollo, una tarea en comun: Dialogos sociedad civil-gobierno, Brasil, Colombia, Mexico" by Enrique Valencia and David Winder. The Synergos Institute 1997.

⁵ For a clear analysis of the dynamic growth of civil society sector during this period see "Abriendo Veredas" by Rafael Reygadas.

Nevertheless, 52 of the 74 foundations surveyed by Natal were created since 1985. A number of factors account for this increase:

- An increasing sense of corporate responsibility (case one, FECHAC, is an example of a foundation founded by local business leaders with a social conscience). 23% of the foundations surveyed by Natal were started by corporations or corporate leaders.
- A realization by civil society leaders that new and innovative forms of philanthropy were required to fund the expanding agenda of social and economic reform being promoted by an increasing number of civil society networks (case two, Vamos, illustrates this new trend within the philanthropic sector).
- Increasing awareness at the local level of the potential to create community foundations to mobilize funds locally and channel them to local nonprofit organizations. This movement was influenced in part by experiences in other parts of the world, but particularly the neighboring United States and in one case U.S. Foundations provided challenge grants to stimulate the creation of new foundations (case three, the Oaxaca Community Foundation, illustrates this expanding subset of philanthropic institutions).

Another critical factor accounting for the expansion of the universe of philanthropic institutions, post-1985 was the role played by CEMEFI (Centro Mexicano Para La Filantropia – Mexican Center for Philanthropy). Created in 1988 by a visionary philanthropist, Manuel Arango, CEMEFI plays the roles of both an institution promoting a culture of philanthropy and an association of members drawn from across the nonprofit sector including community foundations, corporate foundations, family foundations and NGOs. One of its most important contributions has been to challenge individuals, corporations and civil society leaders to create philanthropic institutions to benefit the public good. The increasing public awareness created by a national campaign⁶ served to put philanthropy and volunteering on the national agenda.⁷

CEMEFI has been a key actor in developing a better understanding of the philanthropic sector. This includes the preparation of a directory of philanthropic institutions (including operating nonprofits) that includes over 7,300 organizations.

In addition CEMEFI has played a critical role in convening dialogues around an enabling legal and tax environment for nonprofit organizations including foundations. The tax situation is that foundations registered with the Federal Government as nonprofit

⁶ The campaign, launched in 1994, called “*Mira por los demas*” (“Looking out for others”), encouraged corporations and individuals to contribute 1% of their income to philanthropic purposes and individuals to contribute at least one hour of voluntary service per week.

⁷ “*The role of philanthropy centers in supporting grantmaking foundations: the case of the Mexican Center for Philanthropy*”, David Winder, first published in *Alliance*, Vol 5, No 1, March 2001, London

institutions can apply to the government for tax exemption and almost 90% have achieved this status. In addition NAFTA related legislation passed in 1993 allows for US citizens and corporations to make tax deductible donations to authorized Mexican nonprofit organizations and vice-versa.

Finally, CEMEFI, under the leadership of Executive Director Jorge Villalobos, provides professional development services to three affinity groups of foundations: community foundations, corporate foundations and other grantmaking foundations.

What Role Do Foundations Play?

Foundations are playing an important role in channeling funds to civil society organizations. While most of the foundations operate programs in addition to providing grants, almost 75% of their budgets are for grant purposes (319 million pesos out of a total budget of 477 million pesos).⁸

Natal's study of foundations shows a diverse universe in terms of origins, program strategies, sources of finance and staffing. Some draw their inspiration from the nonprofit sector; others are a reflection of increased individual and corporate social responsibility, while others emerged from efforts to create local community-based philanthropic institutions. They range from national organizations that give grants or credit throughout the country to others that provide support to one charitable organization such as an orphanage or home for the aged. They sit at all points on an ideological spectrum from radical to conservative regarding the role of philanthropy and issues such as social justice. Some seek to be strategic in their grantmaking, attacking root causes while others restrict their attention to providing palliatives and relieving suffering for vulnerable groups.

Natal's study draws attention to some important trends in the foundation sector:

- The development of strong professional staff;
- Increasing emphasis on innovative grantmaking programs linked to broader efforts to strengthen the civil society sector;
- The development of strategic alliances or partnerships with other sectors in order to increase their impact (Natal 2002, page 34);
- Increasing creativity in the mobilization of resources from local sources and a decreasing reliance on donations from abroad. Foundations now obtain almost 80% of their funds locally (see Appendix 1);
- Increasing interest in building endowments as a means of covering their core operating costs - 64% have endowments ranging from US\$530,000 to US\$50 million.⁹

⁸ Based on data from 90% of the 74 foundations surveyed

⁹ Natal Alejandro *“Recursos Privados para Fines Publicos: Las Instituciones Donantes Mexicanas”* Synergos Institute, Centro Mexicano para la Filantropía and El Colegio Mexiquense, Mexico, 2002

Best practices and options for the future

One of the most innovative areas of development in the philanthropic sector is that of community foundations. In 2002 there were 21 community foundations in Mexico serving distinct geographical areas, ranging from states to municipalities. A recent survey of 15 of these foundations, conducted by CEMEFI showed that in 2002 they made grants totaling almost US\$ 7.5 million to local institutions through 1,400 grants. The majority have built endowments, the largest being US\$ 4.4 million and the average about US\$ 600,000. These foundations depend on local sources for three quarters of their income, derived from individual and corporate donations, service fees, income from endowment invested and government grants. Most of them give grants and operate programs. 41% of their income is devoted to grants and 35% to operating programs.

Experience to date with community foundations indicates that this is an area of great potential for the growth of philanthropy in Mexico. Even in the poorest states such as Oaxaca these foundations have been able to build on local human and financial resources and leverage other funds from government through the creation of partnerships. Some, such as FECHAC, offers a model for mobilizing funds from the business community in support of equitable social development.

As the cases below illustrate these new community foundations and national level community foundations have proved capable of developing creative fundraising endeavors and of developing strategic approaches to applying their resources.

Case One: FECHAC

An enlightened business-led foundation works in alliance with other sectors to address critical community needs

Origins of the Foundation.¹⁰

The state of Chihuahua on the U.S. border has a progressive and creative business sector. Evidence of this is their ability to build new collaborative endeavors to tackle underlying social problems in the state.¹¹ The origins of the Foundation go back to 1990 when a number of business associations joined together to ask the state government to impose an additional 10% on top of the existing payroll tax paid by businesses to fund a program to assist low income communities hit by a major flood in the state capital of Chihuahua. The President of the State Economic Development Association, Samuel Kalisch played a critical role in these negotiations and the subsequent decade of the foundation's life.¹² The program was so successful that the business community requested that the program be extended. Since 1994 the program has generated approximately \$5 million a year from over 38,000 businesses in the State. By 2002 the annual revenue had reached close to \$8million and the foundation had a fulltime staff complement of over 40.

FECHAC was created in 1996 to manage the funds previously kept in a trust fund. The Board of the Foundation comprises 18 representatives of the business community, 2 members of the State Government and 2 members of the State House of Representatives. A decentralized decision-making structure has been put in place and local committees in each of the major urban areas of the state are given the task of selecting local grantees on the basis of the proportion of the total fund put in by local businesses.

Vision and Mission of the Foundation

The vision of the foundation has evolved over time. Today it seeks to be “an effective community foundation that promotes social development throughout the state, supporting the improvement in the quality of life of marginal groups...with tangible results that generate social capital and increase citizen participation in civil society organizations”¹³. With indicators such as 30% of the population lacking access to health services, the challenges of exclusion were, and still are, very real.

¹⁰ This case was based on an interview with Jesus Ortega Pineda, the Executive Director of FECHAC, and the foundation's reports.

¹¹ See “How CSR and an Entrepreneurial Business Culture Go Hand-in-Hand” by Kellee James (www.iaf.gov.publications)

¹² See Rangel Padilla: “An Exceptional Organization and an Unusual Leader in Mexico: the Case of FECHAC and Samuel Kalisch” ITESM manuscript 2002.

¹³ FECHAC Report of Activities 2002-2003,p.5

The mission of the foundation is to “Contribute to the human and social development of the most vulnerable Chihuahuans through partnership programs that resolve their needs and problems with the commitment of the business community and the society”¹⁴

Early Programmatic Approach

As the corporate sector in other countries has focused increasing attention on achieving the highest impact from their philanthropic dollars or social investment, FECHAC has followed a similar path. In the Foundation’s earlier days the bulk of the investments were in project support to social welfare institutions run by both government and nongovernmental organizations. These projects varied in size from micro projects, such as the construction of schoolrooms and clinics, to projects worth over a million dollars and involving a number of partners. Other projects addressed humanitarian needs of vulnerable groups. This programmatic focus responded to a need for the Foundation in its initial years to respond to demand and show tangible results.

Towards a More Strategic Approach

Over time the Board has increasingly sought to move beyond this “welfare” approach (we don’t use the term “charity” because local organizations always had to make matching contributions) to one that engages the Foundation in programs that tackle some of the root causes of social and economic inequity and injustice by empowering local civil society organizations. In addition they have increasingly sought to position the foundation in a leadership role influencing social policy in certain key areas. The result of this strategic thinking carried out within the framework of a strategic planning process has been the emergence of new program lines implemented in partnership with other donors and public and private agencies.

There are a number of ways in which the foundation is being strategic. One is by supporting initiatives that directly enhance the capacity of civil society organizations (both community-based organizations and NGOs) to address issues of social and economic inequality. This involves transferring skills and resources directly to those groups. The second is by playing a leadership role in convening government, civil society and the business sector to press for improved public policies and coordinated program interventions for vulnerable groups. The third is by building alliances with other organizations to increase the flow of resources to programs that create more opportunity and to build more support. I will give examples of how FECHAC has become more strategic in these three directions.

¹⁴ Ibid p.1

Support to Build the Capacity of Civil Society Organizations

Economic empowerment of disadvantaged groups

Once the Foundation had established a reputation for responsible management and visible results at the community level the Board started looking for ways of attacking the problems of lack of economic opportunity in many low income communities. As a result, in the past three years the Foundation has developed innovative programs to assist community-based micro enterprises through micro credit programs and training in enterprise development (marketing, financial management). An emphasis has been placed on credit for women. FECHAC designed a program that involves funding from the Inter American Foundation and technical assistance and later other support from Community Health and Development (SADEC) a local nonprofit and partnerships with a number of state government organizations including the Office of Commerce and Tourism and the Federal Consumer Protection Agency. This partnership has resulted in support for 68 “community banks” (groups of at least twelve women). They provided loans, mainly to women resulting in the creation of over 1,000 new jobs.¹⁵

In the interest of building the capacity of civil society organizations to support this type of initiative, FECHAC plans, in the near future, to transfer the management of this micro credit program to a new nonprofit organization created for this purpose.

Another initiative involves an alliance with the Bank of Mexico to set up a \$2million loan fund to provide individual loans for graduates of the micro-credit program and other beneficiaries.

In another complementary effort to build the capacity of social enterprises, some of which are larger than micro enterprises, the foundation has also received matching funds from the Inter American Development Bank.

Capacity building for the nonprofit sector

The Foundation realized in implementing its early programs that a major impediment to success was the lack of capacity of local NGOs to design and evaluate programs and raise and manage financial resources. In response it carried out a comprehensive survey of NGOs in the state using its own diagnostic tool. This mapping of NGO needs enabled the Foundation to design a program of training activities implemented by its own staff and consultants. This program met resistance from some Board members who identified some NGOs as “protest” groups. They thought that support for these groups by the Foundation could bring it into conflict with the government. Over time the Board became convinced

¹⁵ See Beryl Levinger and Jean McLeod “FECHAC project profile” on www.iaf.gov/publications

that efforts to build more professional NGOs benefited everyone. It did not imply that the Foundation endorsed the agenda of every NGO.

In the early stages of providing training courses the Foundation realized that it would be important to create a permanent capacity in an independent institution to provide a range of ongoing support activities to the growing NGO sector. It succeeded in obtaining matching funds from the government to establish two resource centers for the nonprofit sector (including conference rooms, documentation center and computer facilities) in partnership with local academic institutions.

Leadership in Convening Sectors to Improve Policy and Program Delivery

Care of the elderly

In the early days of the Foundation, support was given to improving the infrastructure of homes for senior citizens.¹⁶ Dissatisfaction with the limited impact of this approach caused the foundation to commission a diagnostic study on the needs of the elderly. This study suggested other needs that the Foundation could address with potentially higher pay-off. As a result, a number of new initiatives have been developed.

First, the Foundation took the initiative in creating a state-wide network of 18 organizations providing residential care for the elderly. This network focuses on providing training to staff and volunteers with a view to improving the quality of care and quality of life for the residents. With complementary funding from the Paso del Norte Health Foundation in El Paso, training has been provided in self care of the elderly and disease prevention in the city of Ciudad Juarez. Written guidebooks on the care of the elderly have been produced and distributed. With the support of the foundation the network has been able to hire lawyers to prepare proposals to strengthen legislation addressing the needs of the elderly.

Second, research has been funded on the feasibility of creating day care centers for the elderly in the city of Chihuahua. Studies have been supported at the municipal level into the challenges and opportunities for work with the elderly

Third, the Foundation has participated in the design and funding of special diploma courses for health professionals in geriatrics at two higher education institutions.

Rights of indigenous peoples

The foundation realized early in its work that to address the underlying needs of the indigenous peoples who had been consistently marginalized, more was required than

¹⁶ Support is still occasionally provided for infrastructure projects if strong proposal are presented to the Board.

support for improving community infrastructure.¹⁷ The foundation therefore took the initiative of convening a dialogue of government agencies and nonprofit organizations to discuss the needs of indigenous peoples. This led to the creation of an Inter-institutional Program for Indigenous People. The program has three committees (education, natural resources and human rights and justice) with nine to fifteen organizations on each committee. Each committee has the task of reviewing needs, coordinating programs and developing new programs to strategically address the needs identified. Examples of new initiatives are a program to provide information on legal rights and a program to train communities in sustainable forest management techniques.

The Program also provides courses in “indigenous cultures” for public officials. This awareness building effort has resulted in greater commitment to supporting the widening of opportunities for indigenous groups. To support the program the foundation pays the salary of the program coordinator.

AIDS prevention

The foundation convened the government agencies (state and federal) and nonprofit organizations to create a new statewide AIDS prevention program. In this case the government pays the salary of the program coordinator and the foundation invests in supplementing teachers salaries.

Build Alliances with Government Agencies, International and Local Corporate and Non-corporate Donors and Civil Society

From its inception the Foundation has seen the importance creating a wide range of alliances to help it achieve its mission. The partnership with the State Government was critical in the birth of FECHAC and the Foundation has built on this relationship to leverage its resources with funding from a number of government agencies, both state and federal. Funding from international foundations and multilateral organizations has been leveraged to enable FECHAC to move into new areas of strategic intervention.

Conclusions

FECHAC was born as a result of a strong business initiative that received a positive response from the State Governor and Legislature. The beneficiary of a guaranteed annual allocation of funds from the business community, the Foundation's strategies for applying these funds have evolved slowly. It started by responding to the immediate needs of flood victims and then moved to respond to requests from social welfare organizations for project support, principally for construction.

¹⁷ According to data from the Instituto Nacional Indigenista (INI), there are approximately 100,000 indigenous people (Tarahumara/ Raramuri and other ethnic groups) in the state.

Over time Board members have increasingly asked whether the Foundation couldn't be playing more of a leadership role in the search for lasting solutions to major challenges facing the poorest sectors of the population. This has led them into dialogue with progressive NGO's, academics and enlightened government officials seeking to understand the causes of poverty in the State. In partnership with other sectors the Foundation has started to craft new programs that move beyond the earlier charitable response to one that shows awareness of the complexities of social change. Some of these initiatives have been led by the foundation as the implementing agency, such as the program to encourage stronger family values and then spun off to independent nonprofit organizations. Others start as partnerships between multiple sectors aimed at producing more effective policies and programs for vulnerable groups.

The cases described above of the multi-stakeholder partnerships developed to provide more effective care for senior citizens and to address the needs of the indigenous population are illustrative of the more strategic and proactive approach that now dominates the foundation's thinking and action. This approach has many innovative elements including the use of foundation funds to a) finance studies that provide a rationale for new policies, b) convene all the major sectors c) put in place staff to manage the coordination of the partnership d) strengthen the capacity of civil society organizations to play an effective role in service delivery and e) support the creation of networks of Civil society organizations working on the same issues.

A number of elements in the strategy FECHAC has developed to make a lasting difference in the State of Chihuahua are worth emphasizing. First, it continuously seeks to guarantee the financial sustainability of the foundation. It does this by building an endowment (currently at US\$4 million), raising matching funds from private and institutional donors and devising alternative fundraising strategies in case the current tax arrangement is not renewed. Second, it makes good use of volunteers from the business sector. This enables it to keep its overhead at 5% without compromising the professional standards of the foundation. Third its leadership constantly is looking for opportunities to be more responsive to community needs and have lasting impact with its resources. An example of this is its decision to move from a business foundation to a community foundation. This implies broadening the board membership to individuals from non-business groups and further strengthening its reputation for transparency and accountability.

Case Two: Fundación Vamos, A.C.

Civil Society leaders create an independent grantmaking foundation that breaks new ground in building partnerships between sectors and between donors and community enterprises

Origins of the Foundation¹⁸

Vamos was created in 1995 as a result of a meeting between 60 civil society leaders with strong credentials in the struggle to create a more democratic Mexico with increased quality of life for all and greater social justice. It builds on the lessons learned over the past 40 years in building a strong network of social movements in Mexico.

The founders decided that in order to strengthen civil society efforts to build a more participatory society, more effective concerted action was required. This would in turn require new sources of financial support and new partnerships with other sectors. Given that the traditional sources of funding for NGOs, namely European foundations and development aid organizations, were becoming scarcer, efforts would have to be made to cultivate new sources of funding, including private and corporate philanthropic sources, both domestic and international. The founding members elected a Board that reflected the regional and thematic diversity of the NGO movement.

Vision and Mission

The foundation was born with the clear mandate to increase the flow of financial and human resources to people-centered development initiatives and to enhance the cumulative impact of these efforts. Its stated mission is to “mobilize and generate resources to strengthen initiatives that contribute to building social justice”.

Programmatic Approach

To implement the mission, the foundation has developed a multifaceted strategy that combines grant and loan support to community-based initiatives, capacity building for civil society organizations and efforts to influence government social policy and achieve greater collaboration between civil society, business and government . Through constant evaluation and feedback the Foundation has become progressively more strategic in its approach.

The Foundation is strategic in a number of ways. First by supporting the building the capacity of Civil Society Organizations, second by providing leadership in improving policy and practice in addressing the needs of disadvantaged groups and third by building bridges between sectors.

¹⁸ This case study was based on an interview with Javier Vargas, President and Bernardo Barranco, Executive Director and the foundation’s reports and additional comments by Javier Vargas. .

Supporting Building the Capacity of Civil Society Organizations

The foundation provides grant and loan support to innovative and replicable community-led programs in a way that ensures the building of local resources and knowledge

The Foundation has played an effective role in mobilizing local and international private and corporate philanthropic resources and ensuring that these funds are applied to programs that achieve strategic impact at the community level. Where requests for grant proposals (RFP's) are used, the foundation draws on the cumulative knowledge of founding members and their organizations and other development specialists in selecting grantees. Emphasis has been placed on support for projects that test ways of increasing income and improving livelihoods and demonstrate clear impact on the quality of life. A focus has been placed on building the capacity for self sufficiency in the poorest indigenous communities.

In addition to providing financial support to these community –based initiatives, the Foundation from time to time provides other inputs. For example, in the case of support for women's income generation programs in the state of Oaxaca, the Foundation has recruited business school students to provide a service in the preparation of business plans. In other cases the Foundation has brought together participating community groups to exchange learning and methodologies. An additional support for small producers has been the support Vamos has provided to NGOs working to implement fair trade certification systems that allow producers to access the fair trade markets of Europe and North America.

In selecting projects to be funded, the Foundation has established four guidelines.¹⁹ Firstly, to qualify for support, local development efforts have to be initiated and implemented by the community. Secondly, external resources should complement community resources. Thirdly, foundation investments, be they in the form of grants or loans, should be linked to clear expected outcomes. Fourthly, the whole funding process should seek to achieve greater social justice.

The foundation has a well-developed methodology for evaluating the impact of the community-based programs supported and for sharing the results with others in order to achieve replication. Each program is evaluated by site visits.

Capacity building for social entrepreneurs

The foundation invests in increasing the capacity of Mexican support organizations to provide technical assistance to community based enterprises with funding. One example is support provided in product marketing for women's enterprises with funding obtained from the Inter American Development Bank.

¹⁹ Interview with Javier Vargas, President and Bernardo Barranco, Executive Director, May 29th 2003

Providing Leadership in Improving Policy and Practice.

Improving practice in under-served social service sectors by applying philanthropic resources

The foundation has adopted the experience of foundations in other countries in encouraging wealthy donors to create permanent donor-designated funds in the name of a deceased relative. Here again the foundation takes care that such funds seek to have a strategic impact in a given area. For example one such fund supports a network of nonprofits providing care for mentally and physically disabled children. The goal of the network is to improve the quality of care. With funding from the program training is provided to professional staff, volunteers and parents and grants given to support innovative work in the sector. The program has resulted in the creation of a support network for parents and the initiation of advocacy to further the rights of disabled children.

Efforts to influence policy

The foundation has played a role in influencing public policy in a number of ways. First it has responded to requests from specific government departments for studies to help them more effectively focus support on community initiatives. For example, a study is currently underway at the request of the Deputy Minister of Agriculture into the plight of small farmers faced by the import of subsidized agricultural products as a result of NAFTA (The North American Free Trade Association).

Second, under the government of President Fox, former senior staff and board members of the foundation have been recruited into the Secretariat of Social Development (SEDESOL) to design and implement new programs to deliver support to community level programs of community empowerment. In doing so they were able to draw on a study Vamos had previously undertaken at the request of the Secretariat. That study demonstrated the positive impact of government support for micro projects initiated by community-based civil society organizations. While it is too early to evaluate the impact of these initiatives, this transfer of expertise has the potential to introduce new ways of thinking into the government bureaucracy.

Third, the foundation has influenced government practice by designing and implementing co-investment programs. One such example is being implemented by the Federal District Government. It supports innovative programs run by 60 NGOs and community-based organizations in the areas of the rights of women, children and indigenous peoples and fair trade. Such programs are intended to encourage the government to strengthen existing programs that are under-funded or open up new areas in support of civil society. Vamos has invested \$1.2 million in this co-investment program with funds coming from the Dutch NGO NOVIB.

The Foundation Acts as a Bridge, Providing the Necessary Human and Financial Resources, Information and Contacts to Serve Both Communities and Donors

In the words of Javier Vargas, the Vamos President: “we provide the glue”

Over the past eight years staff and Board have worked together to develop relationships with almost thirty individual and corporate donors and bilateral and multilateral official development aid agencies. Given the accumulated knowledge of the needs of communities available through the Vamos network, the foundation is well-placed to identify the best match with donor interests and goals. Experience has shown that they are able to ensure that the philanthropic investments are having strategic impact by building on existing assets, skills and experience. Care is taken to ensure that all programs respect the foundation’s vision of people-centered development.

One example is the partnership established between Deutsche Bank and the community of Santo Desierto de Tenancingo in the State of Mexico. The Bank’s social responsibility resources are having impact on community participation in national park conservation and the bank staff is given the opportunity to serve in the community. In the design of this partnership as with other cases, the Vamos senior staff establishes direct contact with the company directors to identify needs and opportunities.

Vamos has established strategic alliances with over 20 international and national corporations, including Nokia, Lucent Technologies, Microsoft Mexico and Canon. Many of these programs have focused on innovative youth and education programs in different parts of the country. These programs have mobilized US\$ 1.5 million of corporate resources plus volunteer time. This task of building trust between sectors that traditionally had little interaction or had a conflictive relationship has been pioneering.

Vamos through its enlightened leadership has also been able to act as a bridge between local development efforts and international networks with resources and information.

Conclusion

Deeply rooted in the strong and diverse civil society movement that has flowered in Mexico in the past 30 years, the Vamos foundation has sought to be strategic in the way it mobilizes and applies its resources and acts as a bridge between sectors. Useful lessons can be learned from the innovative way it has defined its role and programs.

With a clear focus on supporting citizen action based on respect for human rights, the Foundation has taken the conscious decision to intervene at multiple levels. In doing so it has drawn on the wide contacts and experience of its founding members and Board members at both the local and national levels.

First it realizes the need to respond to a demand from community groups for support for innovative projects that will impact on their lives. It chooses to do this by focusing on vulnerable groups and by linking these groups to individual and corporate donors who are

seeking to exercise their social responsibility in a way that transcended traditional charity approaches. Grants are given through a competitive process and recipients have to provide a counterpart contribution. Efforts are made to overcome the limitations of this micro project support by building in opportunities for sharing of experience between participants.

Second, the Foundation is aware that its impact can be much greater if it compliments its support for innovative micro-level initiatives with focused efforts to influence government and corporate policy. This includes support for efforts promoted by CEMEFI to create a more favorable environment for civil society organizations.

Third, it has over its years become increasingly aware of the leadership role it can play by creating a space where civil society, government and the corporate sectors can meet to discuss ways of collaborating on a social development agenda. It plays this "bridging" role by working one on one to connect resources, both national and international, to needs and provide technical support to ensure impact. It also sees its Annual Meeting as a way of not only informing the public on its activities and performance but also encouraging debate on strategies for community empowerment.

Like other civil society led foundations with no endowment and that are both operating and grantmaking, the Foundation has had to be very creative in mobilizing the resources required for it to fulfill its mission. Javier Vargas has had the vision to see the mutual advantage to be gained from partnering with international organizations and global networks. Strategic alliances with groups such as the International Youth Foundation, the Synergos Institute and Oxfam International have helped link the foundation to human and financial resources. Because the Foundation has demonstrated that it is providing a critical service to civil society it is now able to raise over \$1 million annually.

The Vamos Foundation in its approach to defining its role and responsibilities in Mexican society provides useful pointers on the critical role that can be played by an organization with a clear mission, focused agenda and the commitment to building collaboration and partnerships between sectors.

Case Three: Fundación Comunitaria Oaxaca, A.C. (Oaxaca Community Foundation):

A Community Foundation initiated with strong support from U.S. Foundations builds local ownership and a strategic niche in one of the poorest states in the country.

Origins of the Foundation.²⁰

The foundation was legally established in 1996 as a tax-exempt Civil Association serving the needs of the State of Oaxaca, one of the poorest states in Mexico. It was the result of extensive deliberations between local and national business leaders, local civic leaders and U.S. Foundations led by the John D and Catherine T. MacArthur Foundation²¹ with an interest in supporting new forms of community-based philanthropy in Mexico. The Mexican Center for Philanthropy (*Centro Mexicano para la Filantropía, A.C.-CEMEFI*) served as facilitator for the initiative.

The foundation was born in the aftermath of the Zapatista armed uprising in Chiapas in January 1994. This event and the considerable public sympathy it engendered highlighted the plight of the marginalized Indigenous population in the poorest southern states of Chiapas, Guerrero and Oaxaca. The organizing group that met to discuss the creation of the foundation was aware of the need to explore new ways of addressing the underlying social and economic injustice that prevented most of the population from realizing their full potential. They saw the community foundation as a means of providing support for initiatives that tackled some of the root causes of poverty in the state.

Mission and Goals

The Mission, which has changed over time, fully recognizes the need for participatory development involving the most vulnerable sectors of the community. The stated mission is: “To promote the participation of civil society in improving the well being and standard of living of the marginalized and vulnerable groups of the Oaxacan community through

²⁰ In preparing this case profile we draw on “Lessons Learned : Year 2003”, a report on the experience of the Oaxaca Community Foundation prepared by Vivian Blair and Associates with the support of Jaime Bolaños, Sául Fuentes, Julio Córdova and Monica Sierra. May 2003. This “reflection” included interviews with representatives from many parts of the Oaxacan community.

²¹ Other foundations that played a support role, both in terms of finance and advice were the Ford Foundation, the Rockefeller Foundation, the W.K. Kellogg Foundation and the International Youth Foundation.

initiatives that generate fundamental and lasting changes”²² The Foundation has four main goals:

- to raise and channel funds to local development processes that create fundamental and lasting changes
- to foster and strengthen intra-community, inter-institutional and inter-sector alliances
- to strengthen organizations and groups of Oaxacan society
- to encourage a tradition of social responsibility.

Early Programmatic Approach

To initiate grantmaking activity, one of the major international donors, the MacArthur Foundation supported a study on the needs of children and youth in the state. Drawing on this study, the foundation made its first grants in support of NGOs serving children and youth.

It took about two years to create a Board that was representative of all the major sectors of the Oaxacan community, namely business, academic, nonprofit and professional and put in place the necessary Board committees and professional staffing. The current executive director, Jaime Bolaños, a highly respected local lawyer, was appointed in 1998. To develop a program strategy, the executive director and the Board consulted widely with local organizations and reviewed the experience of grantmaking foundations in other parts of the country and internationally.

After experimenting with small grants programs in a number of areas, particularly support for NGOs working with children, youth and women and completing an evaluation, the foundation developed a five year strategic plan (2001-2006) that has guided the foundation for the past two years.

The Foundation Develops a Strategic Focus

The foundation realized that support for geographically disperse micro projects, while responding to immediate needs, held little prospect for lasting change, particularly in the absence of clear strategies to ensure their sustainability. It therefore developed a strategic plan that concentrates the foundations energy on three strategic programs serving three target populations. (insert Table from p.14 of Lessons Learned as Appendix 2?).

In line with the institutional goals, the three strategic programs focus on NGO capacity building, building inter-sector alliances and the promotion of social responsibility. The target populations are micro-regions and children, youth and women within selected micro regions. More recent strategic guidelines have been added to specify the promotion and support for initiatives focusing on gender and the work of women’s rights and the

²² Oaxaca: A community of contrasts. Oaxaca Community Foundation 2003

promotion of affirmative actions that give visibility and support to women’s participation in professional support organizations, social and grassroots organizations” (JAIME, WHEN WAS THIS DECISION TAKEN AND WHY?)

Micro-regional strategy

Concentrating its grant-making programs in four micro regions enables the foundation to be more strategic. It carries with it a number of advantages:

- The Foundation is able to play a proactive role in getting to know all the key actors in all sectors and assess their strengths, weaknesses and needs.
- With this institutional assessment it can identify the human and material resources needed to build the capacity of the organizations, both support and community-based
- It can play a leadership role in identifying priorities for program interventions and ensure that the human and financial resources of all organizations are maximized through effective coordination.
- It can play a role in building multi-stakeholder partnerships
- The Foundation is able to be strategic in granting its relatively limited resources to fill critical gaps and fund innovations that no other organization is willing to fund and support data collection where data is not available.
- Based on its detailed knowledge of the needs in the micro regions the Foundation can advocate for policy changes at the State level to ensure an effective flow of resources to the municipal level

Being a private organization outside the political fray has enabled the foundation to “weave alliances between the business sector, the government and civil organizations”²³ There is recognition of the need to institutionalize these relationships “which were generated, to a large degree, as a result of the leadership provided by (the) director”.²⁴

The micro-regional approach has been evolving over the past three years. It incorporates the following main elements:²⁵

- A civil society organization facilitates the process in each micro region. Each CSO has experience in working to scale in the region and has extensive contacts in civil society and local government.
- Part of the strategy is to support the strengthening of civil society support organizations and grassroots organizations
- The Foundation directly promotes and supports inter-sector and inter-institutional alliances to improve living conditions of marginal and vulnerable

²³ Lessons Learned p.22

²⁴ Lessons Learned p.25

²⁵ Presentation to FCO Board 2/12/02

populations. Much of the early work has focused on building the relationships and confidence between institutions and developing joint initiatives.

- Priority is given to supporting joint action between civil society organizations
- Students from three universities and a government training program work as volunteers, the majority with NGOs
- Local development programs supported would emphasize education, health, income generation and the environment.
- The Foundation evaluates the impact of each project. The government through the National Institute of Social Development (JAIME, WHAT IS THIS?) is providing support for the strengthening of evaluation systems. The Foundation has a system in place for incorporating the learning from its activities into the design of future programs.

Examples of projects supported in the micro-regions: (many of these are pilot projects requested by communities and all require community counterpart contributions in money or kind)

- Support for forest communities in income generation and conservation of natural resources through the harvesting of non-timber forest products. This includes support for the planting of ornamental plants in community nurseries.
- Provision of potable water supplies at village level
- Poultry production for increased household income
- Construction of rural feeder roads
- The installation of computer centers in schools
- Support for the production and marketing of amaranth.

The Foundation has indicated its commitment to continuing with the current focus on micro-regional development. By 2006 we want to transform into “a relevant stakeholder at the state and national level in micro-regional development, facilitating and enhancing long-term, inter-sector alliances”.²⁶

Other Major Elements of FCO's strategy:

Strengthening civil society organizations

The foundation arranged for training in accounting to be provided for NGOs by the Oaxacan Accountants Association.

Promoting social responsibility

²⁶ Lessons Learned p.20

- The foundation has a weekly radio broadcast called “Join Oaxaca” sponsored by local businesses. It highlights the work of civil society organizations in the state and partnerships with the business sector.
- FCO has reached out to local businesses to support specific projects or provide institutional support. One creative partnership with the hotel industry allows guests to add a contribution to the community foundation to their bill at the end of their stay. Another donor designated fund from a local company supports child health programs.

Other Innovations

- Foundation has interceded successfully with the State government to ensure that it permits the NGO sector to continue to operate independently with minimum government interference.
- The foundation publishes an activities report every 6 months in the local press. The foundation’s audited financial reports are also published.
- The foundation organizes state-wide meetings of civil society organizations to discuss program and institutional development issues.
- Fundraising from the public via radio and brochures such as “Join Oaxaca” that describes how individuals can support their community by giving volunteer time or money.

Use of membership of International networks to increase learning and enhance the visibility of the foundation

The Executive Director participates in two international networks, the International Youth Foundation partners’ network and the Synergos Institute Senior Fellows Program. This enables the FCO to share its experience internationally in a range of aspects of institutional development including strategic grantmaking and fundraising and learn from innovations in other foundations. The FCO has hosted international meetings, including the Synergos Senior Fellows Meeting, IYF and Rockefeller Foundation meetings. These have all helped to raise the visibility of the foundation. FCO is a member of the Council on Foundations (USA) and this provides additional opportunity for peer learning.

Summary of impact of foundation to date and challenges

“Between 1997 and 2002 the foundation invested nearly US\$3.5 million and indirectly ...more than US \$7 million, generating a total investment of US\$ 10.5 million in Oaxaca’s social development.”²⁷

FCO has 8 professional staff and 54 volunteers

²⁷ Lessons Learned p.18

FCO has an endowment of US \$546,000

FCO gave US\$ 390,000 in grants in 2002 plus US\$ 47,000 in pass-through.

Continuing challenges

FCO is still dependent on international sources for 85% of annual budget. 9% from local sources and 6% from national sources.

Board not active enough in fund raising.

Conclusions

In its 5 years of existence the Foundation has developed alliances with 17 municipalities and with the State and Federal Government and mobilized more than \$10 million. In its grantmaking it has established partnerships with more than 70 CSO's in support of social development projects.

Recently the Foundation has signed two agreements with the State government to support the strengthening of CSOs and the channeling of resources to support the micro regional development initiatives led by the foundation.

Appendix I: Sources of Funding for Mexican Foundations

(Alejandro Natal, 2002)

Local Sources	79%	International Sources	9%
Corporate Contributions	31%	Foundations	52%
Donations from Individuals	17%	NGOs	1%
Income from Endowment	19%	ODA	13%
Government Donations	6%	Donations from Individuals	16%
Donations from other nonprofits	8%	Other	18%
Membership	6%		
Other	13%		

Total Budget of Mexican Foundations:

- 477 million pesos (approximately US\$ 50.3 million)* for year in year 1999
- 319 million pesos (approximately US\$ 33.6 million)* in grants

*Exchange rate: 0.10546, as of 07/01/99, according to <http://www.oanda.com/convert/classic>

About Synergos

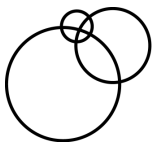
The Synergos Institute is an independent nonprofit organization dedicated to the development of effective, sustainable and locally based solutions to poverty.

Synergos is a force for reducing poverty in the developing world. We believe that poverty is the result of a complicated array of causes and conditions and cannot be remedied without the commitment of all key sectors of society – government, business, nonprofit organizations, and other major stakeholders.

Our staff of 35, headquartered in New York and onsite in Asia, Latin America and Southern Africa, work with Synergos partners to mobilize resources and bridge social and economic divides to reduce poverty and increase equity.

Our programs:

- Build and strengthen community development foundations in Africa, Asia and Latin America, fostering a local culture of philanthropy
- Bring leading philanthropic families together to deepen the impact of their social investments
- Broker partnerships among philanthropists, government, business and citizens, increasing the flow of resources to impoverished communities around the world.



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