



Building Sustainable Financing for Civil Society: Official Development Assistance and Foundation-Like Organisations in Southern Countries

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Background

The Synergos Institute is a US voluntary organisation that works with voluntary organisations and other groups to support local communities to develop effective, sustainable solutions to poverty problems. Our work consists of four interrelated programs: action in Southern countries, applied research, policy development and outreach.

A major part of our work is helping build sources of financing for civil society's role in Southern countries' development. To fully realize civil society's capacity to contribute to poverty reduction and social development, more sustainable, locally-controlled financial resources are needed to fund the work of the sector. A variety of strategic approaches are underway to enhance civil society's financial base, one of which is to strengthen the role of indigenous philanthropy and of foundation-like organisations (FLOs) in Southern nations.ⁱⁱ

In Northern countries, civil society relies on endowed private foundations and broad-based community fundraising campaigns to mobilise financing for civil society organisations over and above that supplied by governments or by dues, user fees and the like.ⁱⁱⁱ Such private philanthropy confers vital independence and sustainability to the civil society sector.

In most Southern nations, foreign aid has been the principal source of financing for organized parts of civil society, supplemented by self-help at the community level. The heavy dependency of Southern non-governmental

organisations (NGOs) on foreign aid flows reduces their self reliance and autonomy and, over the long run as foreign aid levels decline in most countries, exposes them to potential loss of their sources of financing.

A major challenge to social development in Southern countries today is to how to increase sustainable, self-reliant revenue flows among Southern NGOs in order to permit them to work more extensively and closely with the already largely self-reliant community level civil society organisations, thereby strengthening these vital components of Southern civil society and advancing development significantly at the community level.

Official Development Assistance Agencies and Strengthening Southern Civil Society

In September 1995, Synergos and the Overseas Development Council co-sponsored a high level policy conference to examine how official development assistance (ODA) agencies can better support civil society's role in Southern countries' development.

The conference brought together ten senior officials from U.S., European and Japanese agencies and officials from four multilateral (ODA) agencies. Participants also included four representatives of Southern civil society and two US private foundations. Two people here with us today – Alan Fowler and Rajesh Tandon – also attended and contributed background papers for the meeting.

I will briefly summarize some of the key issues we heard from ODA agencies at the meeting and in the research and interviews leading up to it:

- The US\$55 billion currently spent each year on ODA is likely to decline in the future. There have been serious shortfalls in its effectiveness to date and new, more effective aid mechanisms must be found;
- Each sector of society – the state, civil society, and the private sector – has its own essential role to play. Because civil society is one of the three pillars of a healthy society, strengthening civil society is a proper concern for development efforts;
- Southern governments play a key role in development, so an important question for ODA agencies is how to help build an enabling environment for civil society. Care must be taken not to "privatise" development and let the state shirk its responsibilities. Some participants felt that donor agencies should condition their work in a country to that country's governments stance toward civil society;

- Currently ODA has little direct contact with and understanding of Southern civil society – what it is, what its strengths are and how it might be supported. Most of ODA's direct contact with civil society is with Northern organisations; and
- New approaches for direct ODA funding of Southern civil society and policy dialogue must be created and expanded.

Building upon discussions at the conference, Synergos is exploring with several ODA agencies how foundation-like organisations can serve as intermediaries for ODA support to civil society in the South.

Synergos recently completed a series of case studies of FLOs, which we have been using in these discussions. I'll now turn to a summary of that research and its findings.

Description of Case Study Research on Foundation-Like Organisations

In April, 1993 a group of development-oriented FLOs and NGOs from a dozen Southern countries met with private Northern foundations and ODA agencies to discuss the emerging role of FLOs in strengthening civil society in Africa, Asia and Latin America. At the meeting, a decision was taken to organize case studies of foundation-like organisations to learn more about how FLOs are created, how they develop and evolve, and how they sustain themselves as philanthropic entities.

An advisory group of these FLOs guided a two-year effort by the Synergos to document and analyse the experience of eight FLOs in seven Southern countries. The cases were selected from a pool of several dozen FLOs identified through an earlier study.^{iv} Financial support for the project was provided by the Ford Foundation and the Aspen Institute.

With the assistance of the advisory group, local case writers were identified and a protocol for the research was developed. The protocol focused on the following questions:

- How do FLOs mobilise resources?
- How do FLOs channel resources to support NGOs and grassroots groups?
- What are the most important factors that facilitate or impede this resource mobilisation and channeling? and

- What are the most important factors that facilitate or impede the sustainability of the FLO?

Four areas were considered to harbor factors believed to be pivotal to the operational effectiveness and sustainability of FLOs:

- Genesis and origins of the FLO;
- Governance of the FLO;
- FLO program operation and evolution; and
- Financing the FLO.

Response to questions in each of these areas was collected – each case study describes results of data collection by area. Two meetings have been held in which representatives of the cases discussed, analysed and critiqued drafts of the studies. Final versions of each study and analytic papers looking at the four areas above are now being prepared. Summary profiles of the eight cases are given in Tables I, II and III.

Summary of Findings from the Case Studies

The main conclusion from the research is that FLOs are now playing a major role in fostering and funding civil society's contributions to social development in a number of Southern nations.

These foundation-like organisations assume many forms, but most combine support, advocacy, and program elements with grantmaking or credit provision, grant intermediation, and stimulation of local philanthropy. There is no single model of an FLO and a better term to describe them is civil society support and financing organisation (CSFO). Some specialize in particular areas of development – environment, rural development, women, children, community development, human rights, or health – while others cover the entire gamut of development topics. However, they share in common the following features:

- Indigenously owned, governed and operated
- Private, non-profit
- National reputation and legitimacy

- Permanent in nature because they possess an endowment or other source of a sustainable stream of income
- Long range mission which includes broadening the participation of civil society in addressing development problems
- Functions include mobilising, managing and allocating resources
- Programs include support and financing to other civil society groups.

All of the FLO/CSFOs studied are playing the role of tertiary-level support institutions for non-profit organisations (community civil society groups constituting the primary level and NGOs the secondary level). Most of them make grants to NGOs and community groups, and some provide credit. All of them mobilise both external and internal resources and distribute these resources via grants, credit, and/or other modalities to other civil society groups in the country. Typically they also serve as an interface between domestic civil society groups and government, donors, and often the private sector. They can play very significant roles in bringing together and leveraging diverse sources of financing for NGO projects and programs, including local private philanthropy, local and foreign business contributions, government grants or contracts, foreign aid funds (private and public), financing from debt swaps and buy-backs, release of blocked currency, and sometimes their own substantial streams of earned income.

Most of the FLO/CSFOs studied serve as a new channel for Northern foreign aid agencies and for Southern national governments to transfer large-scale funding to Southern civil society groups with a high quality of accountability and results. FLO/CSFOs mobilise and deepen participation of citizens and the civil society sector in solving social problems in a way that no other type of institution does.

Implications for Civil Society Groups, Governments, and ODA Agencies

FLO/CSFOs play a strategic role in increasing national and community ownership and sustainability of development processes. Many hundreds of FLO/CSFOs exist in Southern nations today.^v Organisations such as these need to be strengthened in order to play their unique role in supporting civil society. Among the actions required for this are:

- More widespread understanding of what these organisations are, how they operate, and the benefits they confer on national development efforts;

- A more conducive and enabling legal, regulatory and public policy environment to support their active role in society;
- Wider, more systematic application of best practices in their institutional development, governance, management and programs;
- Increased seed capital and start-up financing from foreign aid, Northern philanthropy and other sources; and
- Expanded efforts to stimulate domestic philanthropic impulses and, ultimately, to generate significant private contributions for social and economic development activities within their own countries.

One of the most pressing challenges for FLO/CSFOs is how to increase their sustainability by building up small endowments or capital funds which they can invest in order to obtain small but permanent streams of income to cover their core costs. This gives them the independence to become grant intermediaries for donor agencies, as well as mobilises of private philanthropic donations in their own countries.

In order to build such capital funds, many FLO/CSFOs have utilized foreign aid funds, principally from bilateral donors and private Northern foundations, and subsidized conversions of both public and private debt in their countries. This area of work could be greatly expanded, as the Swiss government has been seeking to do through its Debt Reduction Facility.^{vi}

Perhaps the most challenging implication from this research is the long time frame required for the successful establishment of FLO/CSFOs. Efforts by foreign aid donors to build complex indigenous institutions of this type in Southern countries quickly have often failed.

Long-term efforts, like the Consultative Group on International Agricultural Research (CGIAR) have been more successful, although even these institutions are not yet independent and self sustaining. The recently formed Interagency Planning Group on Environmental Funds (IPG)^{vii} may offer a more appropriate model for how international agencies might accelerate the formation and sustainability of FLO/CSFOs through a concerted program. Such a decentralized yet intensively coordinated effort could provide ongoing technical assistance to all interested FLOs/CSFOs.

Synergos welcomes comments and discussion about the ideas and efforts presented in this paper.

Notes

i. This presentation draws heavily from other presentations and writing by S. Bruce Schearer and David Winder, also of The Synergos Institute. For more information, visit www.synergos.org.

ii. Schearer, S. Bruce. *The Emerging Role of Civil Society: A Force for Social Development*. The Synergos Institute, 1995. Keynote paper prepared for the International Council on Social Welfare "International Seminar," October 31, 1995, Montreal, Canada; and Schearer, S. Bruce. *The Role of Philanthropy in International Development*. Paper Prepared for the Rockefeller Foundation Conference "Human-Centered Development: The Role of Foundations, FLOs and NGOs," October 16-19, 1995, Bellagio, Italy.

iii. Salamon, Lester M. and Helmut Anheier. *The Emerging Sector: An Overview*. The Johns Hopkins University Institute for Policy Studies, 1994.

iv. Biemann, Betsy, Lisa Cannon and Danielle Klainberg. *A Survey of Endowed Grantmaking Development Foundations in Africa, Asia, Eastern Europe, Latin America and the Caribbean*. The South-North Development Initiative and The Synergos Institute. 1993.

v. In addition to the eight institutions studied in the research project, others include:

- Arias Foundation for Peace and Progress, Costa Rica
- Corporación ECOFONDO, Colombia
- Foundation for Eastern Carpathian Biodiversity Conservation, Poland, Slovakia and Ukraine
- Equal Opportunity Foundation, South Africa
- Foundation for Environmental Development and Education, Nigeria
- Fundação para o Desenvolvimento da Comunidade, Mozambique
- Fundação Vitae, Brazil
- Fundación Carvajal, Colombia
- Fundación para el Desarrollo Agropecuario (FUNDAGRO), Ecuador

- Fundación Andes, Chile
- Fundación DEMOS, Mexico
- Hong Kong Pei Hua Education Foundation, Hong Kong
- ICWI Group Foundation, Jamaica
- John Paul II Foundation for the Sahel, Burkina Faso
- Mgahinga and Bwindi Impenetrable Forest Conservation Trust, Uganda
- Open Society Fund, Bulgaria
- Polish Children and Youth Foundation, Poland
- PRONATURA, Dominican Republic
- West Africa Rural Foundation (WARF), Senegal.

vi. Blesse-Venitz, Jutta, Alfred Gugler and Richard Hebling. *The Swiss Debt Reduction Facility: A State of the Art*. Swiss Coalition of Development Organisations, 1995.

vii. The Interagency Planning Group on Environmental Funds (IPG) is an informal collection of over 20 agencies and organisations concerned with environmental funds -- including multilateral agencies such as the World Bank, United Nations Development Programme and the InterAmerican Development Bank, bilateral agencies including the US Agency for International Development, the Canadian International Development Agency and the European Commission, private foundations including the Ford, Mott, Rockefeller and MacArthur Foundations, and NGOs including Conservation International, IUCN, The Nature Conservancy, The World Resources Institute and The World Wildlife Fund. The IPG serves as a forum for exchange of information and experience, as a mechanism for coordinating services and technical assistance to environmental funds, and as an advocate of environmental funds as an innovative approach to conservation and sustainable development.

TABLE I - PROFILE OF THE SOUTHERN FOUNDATIONS

ORGANISATION	COUNTRY	MISSION/PROGRAM	ANNUAL EXPENDITURES	MAIN SOURCES OF FINANCING
Fundación Mexicana para el Desarrollo Rural – FMDR	Mexico	Supporting economic development in rural communities throughout Mexico by providing credit and training to farmers in order to increase rural productivity.	US\$2.2 million (1994)	Member quotas and government funds
Fundación para la Educación Superior – FES	Colombia	Fostering the social development of Colombia by supporting education, science, cultural activities, health, income generation, and the environment through grantmaking, training and leadership development.	\$US23.0 million (1994)	FES' own investment banking operations; external private foundation
Philippine Business for Social Progress – PBSP	The Philippines	Promotion of social development through an Area Resource Management strategy, which aims for balanced use of resources, empowerment of local residents, and partnership among diverse sectors of society. Mechanisms used include grantmaking, credit, training, and training and marketing assistance.	\$US6.0 million (1993)	Corporate member donations of 0.2% of net income
Child Relief and You – CRY	India	Supporting the work of communities and voluntary organisations to address the problem of deprived children in rural, tribal and urban areas of India through grantmaking and raising awareness among the Indian public about the plight of children.	over US\$600,000 (1994)	Sale of CRY products (cards); sponsorships; public donations
Fundación Esquel-Ecuador - FE-E	Ecuador	Supporting local self-help initiatives of voluntary sector organisations working to	US\$1.6 million (1995)	US foundations; bi- and multilateral aid

		improve the quality of life of poor people – particularly children and youth, women, and indigenous people – in Ecuador through grants, credit and technical assistance. Program areas include training and education, health, income generation and environmental protection.		agencies; debt-swap
Foundation for the Philippine Environment – FPE	The Philippines	Preservation of Philippine biodiversity and capacity building of Philippine NGOs and people's organisations for community-based environmental work, through a variety of grant programs.	US\$2.6 million (1995)	USAID donation; debt swap
Puerto Rico Community Foundation - PRCF	Puerto Rico	Improving Puerto Rican society through grant support and program sponsorship in the areas of economic development, community development, art and culture, health, and education.	US\$3.6 million (1994)	US foundations and corporations; local donors
Kagiso Trust - KT	South Africa	Supporting development in South Africa through grantmaking and grant intermediation in the areas of community-based institutions, microenterprise development, education and training, water and sanitation, and urban reconstruction.	US\$24.9 million (1992)	European Community

TABLE II - ORIGINS OF THE SOUTHERN CIVIL SOCIETY SUPPORT AND FINANCING ORGANISATIONS

ORGANISATION	ORIGIN & DATE	FOUNDERS	INITIAL MOTIVATION
Fundación Mexicana para el Desarrollo Rural - FMDR	Local initiative 1963	Business leaders and Catholic clergy	Channel funds toward social development
Fundación para la Educación Superior - FES	Local initiative 1964	Business leaders and academicians	Mobilise and channel funds for universities
Philippine Business for Social Progress - PBSP	Local initiative 1970	50 Philippine companies	Social responsibility
Child Relief and You - CRY	Local initiative 1978	Individuals from the middle class with a social vision	Channel funds toward the needs of underprivileged children
Fundación Esquel-Ecuador - FE-E	Local initiative 1990	Local and other Latin American individuals from NGOs and government	Support local self-help initiatives of the poor
Foundation for the Philippine Environment - FPE	Donor initiative 1992	USAID, the Government of the Philippines, Philippine (including PBSP) and US NGOs	Act as a mechanisms for channeling funds to local environment projects
Puerto Rico Community Foundation - PRCF	Local and outside initiative 1985	Civic leaders and major US private foundations	Community and economic development; health; education; culture
Kagiso Trust - KT	Donor initiative 1986	European Community and South African organisations (churches)	Channel funds to community- based institution building for victims of apartheid

TABLE III - FINANCING OF THE SOUTHERN CIVIL SOCIETY SUPPORT AND FINANCING ORGANISATIONS

	PRIMARY FUNDING SOURCES				METHODS OF GENERATING FUNDS						ENDOWMENT	
	Inter-nat'l	Domestic	Private	Gov't	Earned-product/service sales	Fund-raising events	Donations from members	Donations from general public	Grants to CSFO	Grant inter-mediation by CSFO	Created at start-up	Built up over time
FMDR		X	X	X	X	X	X			X		X
FES		X	X		X				X			
PBSP		X	X				X			X		X
CRY		X	X		X	X		X				
FE-E	X		X						X	X	X	
FPE	X			X					X		X	
PRCF	X		X						X	X	X	
KT	X			X	X				X	X		