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# Community Philanthropy

in Central/Eastern Europe



This primer has been written for people who are interested in learning about community philanthropy organizations and the role they can play in strengthening communities in Central/Eastern Europe.

The text explains what community philanthropy organizations do and how they work. It describes the challenges faced by local communities in building such organizations in Central/Eastern Europe, and it describes ways that support organizations are offering assistance to address these challenges. All these points are illustrated with local examples.

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## I. Community Philanthropy

**T**he forces of change in Central/Eastern Europe are stronger than ever. Nearly every aspect of economic, social and political life has experienced rapid change in recent years. Many parts of the region are struggling to accommodate these changes.

While there is basis for optimism, change is difficult. All over Central/Eastern Europe, there are increased demands and opportunities for local problem-solving, for building social networks of people and organizations that support each other, and for opening up society to greater participation.

*Civic leaders in the region are looking for new ways and alternative solutions.* Today in the region, there is considerable experimentation going on: new efforts to support the active exchange of ideas, or to support a more local and more shared approach to problem-solving, or to support a process that empowers people to participate in the affairs of the community.

*An “independent sector” is emerging to fill the void.*

Organizations that are neither governmental nor commercial are rapidly entering the vacuum created by the withdrawal of central government. The terms “independent sector” or “third sector” are coming into use, to emphasize independence from the first two sectors — business and government. Independent-sector

### A Glossary of Terms

“**Community**” refers to a geographically distinct region — a city, district or village. It also refers to all the groupings of people within the region — all ages, all ethnic groups, all levels of wealth and all sub-regions.

“**Community philanthropy**” refers to the acts of individuals contributing money and goods, or volunteering their time and skills, to promote the betterment of their community and the well-being of others.

“**Community philanthropy organization**” (CPO) is an independent non-governmental organization designed to gather, manage and redistribute financial and other resources useful for the community’s well-being, and to do so in ways that engage the community.

“**Community philanthropy support organization**” (CPSO) is an independent non-governmental organization that provides information, training, consultancy and technical assistance to community philanthropy organizations.

“**Philanthropic capital**” refers to financial resources designated for philanthropic purposes.

“**Philanthropy**” refers to an active effort to promote human welfare.

organizations [referred to hereafter in this document as non-governmental organizations, or NGOs] are governed locally by an independent board of directors, and are accountable to the public. They strive to (a) create democratic practices that support the rule of law and civil society; (b) create opportunities and resources to improve local arts/culture, health, family and children's welfare, the environment, and other topics of community vitality; and (c) create opportunities for citizen participation in solving local problems. These three purposes are obviously inter-related. This independent sector is rapidly growing in Central/Eastern Europe, as it is around the world.

***Community philanthropy organizations (CPOs).*** Several varieties of CPOs are emerging in Central/Eastern Europe. Their purpose is to serve as vehicles for strengthening the community through local philanthropy. They cultivate sources of philanthropic capital from donors near and afar who care about the well-being of the local community. They work in partnership with other local private, public and non-governmental organizations to address local opportunities to improve the community's well-being.

## II. The Work of Community Philanthropy Organizations

While a number of different forms are emerging, CPOs have a core of common purposes. They:

- A. serve as an independent vehicle for individuals and groups to contribute time, money and talent toward the improvement of their community;
- B. actively involve people and groups to increase participation and expand the base of leadership for addressing local issues;
- C. support groups and activities that improve the community's well-being;
- D. raise funds from local sources to support their activities; and
- E. manage their financial resources with care and prudence, and consistent with the wishes of the donors.

**A. A community philanthropy organization serves as an independent vehicle for individuals and groups to contribute time, money and talent toward the improvement of its community.**

- A CPO is built upon the best intentions of a core group of civic leaders who have shown an interest in the concept of community philanthropy. They are well-respected in their circles, and together have the commitment, resources and skills to create an independent institution that can develop and play a useful role in benefiting its community. Typically, they create the first board of directors.
- A CPO is governed by a board of directors chosen to represent the diversity of the region it seeks to serve. It should include a diversity of perspectives, interests, demographic categories and sub-regions. It is legally registered as a NGO, and is independent from all governmental and commercial institutions. Its bylaws ensure that it cannot be controlled by a small group of people, that it cannot serve a small elite, and that its operations are transparent and accountable according to law.

- A CPO uses a name, a mission statement and a plan that together express its intentions to benefit the region. It creates programs and opportunities that engage individuals and groups in a variety of ways — as donors, advisers, committee members, volunteers, publicists, activists or board members.
- A CPO strives to develop community as a “sense of place.” It cultivates among its residents an awareness of the locale and its culture. It cultivates a sense of past, present and future. It works to awaken a spirit of compassion, mutual interdependence, participation and generosity.
- A CPO is nonpartisan and nonpolitical, without affiliation to a political party or elected public official. It nevertheless provides a forum for discussion of ideas, and a place to design and test solutions to community problems.

What follows are examples of CPOs creating a sense of place:

The **Healthy City Foundation — Community Foundation of Banská Bystrica** serves a city of 90,000 (third largest in the country) and a district of 120,000 in central Slovakia. The foun-

dation was created by the local Rotary Club in 1992 as an operating foundation, and its transformation into a community foundation with a grantmaking program was completed in 1994. Its board of directors is elected by the Rotary Club, Healthy Cities, the city council and an assembly of independent citizens. Its mission is to support democratic development in the city and strengthen public participation in solving the city's problems; contribute to building a safe, culturally, ethnically and religiously tolerant community; and support the improvement of the environment, and the quality of life and health in the city and surrounding region. Its first year of operation was supported by a grant from the city council.

The **Open Society Club — Varna** is one of a network of Open Society Clubs created by the Open Society Fund — Sofia. It began in 1992 and is located in Varna, the third largest city in Bulgaria, on the Black Sea coast. Its first board brought together representatives of the business world, local government and the independent sector. It operates under the law as a voluntary, nonpolitical, nonprofit organization of citizens, which supports and disseminates the values of the open society.

The **Snow Mountain Community Foundation** in the Sudeten Mountains of southwest Poland, was begun with the help of

U.S. Agency for International Development and a local, well-established NGO (the Point of View Association). It was launched by involving distinguished local citizens, celebrities and the new wealthy. Leaders of the emerging CPO got the two leading Polish and German newspapers to endorse the foundation and to join with \$1000US. Then it attracted two cabinet ministers and two ambassadors to join and to attract others. It publicized its launch with much press and TV coverage. When the foundation opened registration for membership, many people asked to join.

The **Community Foundation of Ústí nad Labem** was transformed from an earlier developed agency that provided community care for the mentally ill, mentally handicapped and drug addicts in the region of Ústí nad Labem (a district of 120,000 in the industrial heartland of northern Bohemia in the Czech Republic). The original agency decided to undertake this transformation because the community needed (a) an independent funding resource for solving community problems; (b) a facilitator to engage the public in community problem-solving; (c) an unbiased forum to unite all sectors present in the city/region; and (d) support for development of NGOs and community initiatives.

Twenty-three **United Way** affiliates in Hungary draw on the model offered by United Way International. Each affiliate is governed by an unpaid, voluntary board of trustees to decide on grants, and to establish procedures for conducting annual workplace-giving campaigns. [See explanation, Page 21.]

**B. A community philanthropy organization actively involves people and groups to increase participation and expand the base of leadership for addressing local issues.**

- A CPO helps the community understand its needs, its assets or strengths, and its opportunities for advancement. It gathers information and data on the well-being and problems of the community. It helps different segments of the community develop priorities for action. It focuses on the future as well as the present.
- A CPO stimulates discussion of possible solutions to local problems, and gathers documentation of local initiatives that have been tried elsewhere, to develop greater awareness of possible avenues for development.
- A CPO helps the public understand its role and the role of other NGOs working to create solutions. It helps public officials understand ways to open up to citizens and citizens' groups to allow them to participate in local problem-solving and policymaking.
- A CPO strives to involve people in efforts that directly benefit the community. Such efforts include celebrations, public events, civic improvement or development projects, and the activities of other NGOs and citizen groups.
- A CPO helps identify individuals and organizations that can play constructive roles in creating community solutions. It helps develop local leadership — individuals with vision, confidence and courage, and the communications skills to work cooperatively with others toward common goals. Groups, too, can develop the qualities of leadership; ideally, a CPO is itself a community leadership institution.
- A CPO develops the support of citizen groups, local government agencies, local businesses and other NGOs for taking advantage of opportunities to create solutions. CPOs are useful for creating dialogue between sectors, and facilitating useful partnerships that get things done. Creating alliances across institutional boundaries builds bridges for future cooperation, and attracts attention and support.

What follows are examples of CPOs expanding local commitment:

Members of the **Open Society Club — Varna** (Bulgaria) create public awareness campaigns to help the community focus on a certain issue. Its goals are to improve race and ethnic relations in the region, improve the quality of education, promote an independent mass media, and support cultural activities.

Because club members are visible and well-respected in the community, many people come forward to volunteer their time, expertise or money. Club members serve on different municipal committees that work in the social or educational spheres, and these members help develop partnerships with local authorities, citizen groups, and established NGOs.

The **Community Foundation of Banská Bystrica** (Slovakia) developed a project called “Friendly Garden.” The goal was to improve a living environment in the largest neighborhood and to strengthen the relationship of local citizens to nature. Friendly Garden was built on school property and is accessible to the public, with benches, a garden house, and areas with

herbs, plants and trees typical of the climate. Cooperation among various community groups was important to the project.

The **Snow Mountain Community Foundation** (Poland) hosts a quarterly dinner, as well as picnics, and invites well-known speakers to lead discussions of social issues.

The **Community Foundation of Ústí nad Labem** (Czech Republic) has a program of “needs analysis and assets mapping.” It has developed a data base on all the NGOs and public institutions in its region, all church charities, school facilities, social/health services providers, etc. It also is developing data on needs, problems and priorities. These data will help the community focus its resources to improve its living conditions. In another project, the foundation convenes meetings of individuals, NGO representatives and other institutions in the area of environmental protection, in cooperation with another local foundation. During the year they met once every six weeks and worked together on the preparation of an action plan for the environment. The foundation paid for this process by raising funds from outside the community.

### C. A community philanthropy organization supports groups and activities that improve the community's well-being.

- A CPO supports or convenes meetings of diverse individuals and organizations to discuss and promote opportunities for community improvement.
- A CPO helps individuals and organizations publicize their plans and activities so their activities become better known.
- A CPO provides meeting space, office equipment or expertise that helps community organizations become more effective. It encourages the development of local leadership and management skills.
- A CPO makes grants of money from the funds it has gathered to support the activities of NGOs and citizen groups in its region. Making grants is perhaps the defining characteristic of a philanthropic organization.
- A CPO can operate programs that benefit the community, especially when another suitable community organization cannot be found.

What follows are examples of CPOs supporting groups:

The **Healthy City Foundation — Community Foundation of Banská Bystrica** (Slovakia) helps small neighborhood groups meet periodically to discuss issues in their communities. It supports meetings of a small active group of women, providing a space for them to meet and get information from experts about health, education, business, and family. It also helped youth activists organize an International Candlelight Memorial, a march through the city dedicated to AIDS victims, as well as a week of seminars on this topic in high schools. It translated and published a small book, “Successful Aging,” which will be distributed through seniors’ clubs and The Third Age University. The foundation also made 51 grants in 1998, for \$13,856US in the areas of neighborhoods, rural, women, youth, environment and other.

The **Community Foundation of Ústí nad Labem** (Czech Republic) has made grants to 20 NGOs on a competitive basis in the areas of social services, the environment and youth. Earlier, it had played a significant role in creating cooperation between the city of Ústí nad Labem, state institutions in the region and NGOs providing social services. It also loans its microbus free of charge to NGOs operating in the area of social services.

The **Open Society Club — Varna** (Bulgaria) has supported individual and organizational projects in five program areas: culture and mass media, civil society, regional development, education and youth, and “open.” It has distributed \$200,000US worth of humanitarian aid; organized and hosted a Balkan media conference; carried out annual award ceremonies to give recognition to leading community figures or organizations; established the club information center, which provides NGOs and citizens with free access to information; and assisted with the computerization of the Varna library.

The **Snow Mountain Community Foundation** (Poland) made grants that allowed the rebuilding of libraries and schools after devastating floods swept the region.

**United Way/Hungary** supports local groups by involving local businesses, local government and individuals — all contributing to a common cause. The local government might give a building, the local bus company might give free bus passes to take disabled kids on excursions, the local bakery might give rolls to feed children, and individuals might contribute small cash donations or their time.

#### D. A community philanthropy organization raises funds from local sources to support its activities.

- A CPO strives to build a base of donations — and donors — dedicated to improving the well-being of its region. A CPO’s local donors can be individuals, small businesses, large corporations with a local presence, local government and other foundations.
- A CPO frequently gets important start-up support from local business groups or from local government, which can play pivotal roles in launching an independent CPO that intends to benefit the community. A start-up or emerging CPO also may find support from outside its region, from national, Western European or American funders. These could be governmental, commercial, or non-governmental institutions. Eventually, however, a broad base of local donor support is necessary to ensure the long-term vitality of the organization.
- A CPO uses different appeals in its efforts to build a local donor base. It can appeal to the donor’s (a) interest in the community’s well-being, and (b) sense of civic responsibility.

- To make its case, a CPO can point to its (a) growing record of activity; (b) growing credibility, capacity and accountability; (c) plans for the future; (d) ability to raise funds from multiple sources, and (e) ability to pool them for mutual benefit.
- A CPO uses project funds to demonstrate to the community and to potential donors what good it can do. The CPO can use the full gamut of activities cited in the previous section to support groups and activities that create local benefits. A good history attracts additional donations.
- A CPO uses different strategies to cultivate sources of local financial support. All have the effect of using the CPO as an intermediary through which donors can target their giving. With experience, or by preference, a CPO typically chooses to specialize in some, but not all, of these strategies. Strategies already tested elsewhere, and now being tested in Central/Eastern Europe, include:
  - a) Annual campaigns to solicit funds from the public. These can be from the general public, or from specialized mailing lists.
  - b) Annual campaigns at local workplaces. These are useful for attracting volunteers as well as cash contributions.
  - c) Special requests to institutions such as foundations, banks, businesses or membership organizations to support operations and activities.
  - d) Special events or productions meant to attract attention. These can be events for the public or for more specialized audiences.
  - e) Creating a membership base for the CPO, in which annual dues are used to support the organization's operations.
  - f) Creating a flow-through fund, by which other institutions can target a specially designated purpose, such as flood relief.
  - g) Creating permanent funds as endowment funds, in which the gift is invested for growth, but the annual earnings from the investment are used for current philanthropic purposes. Attracting gifts in memory of family members, or in anticipation of future needs in important areas (such as the environment or family and children's health) are favored strategies. A CPO that invests incoming gifts for long-term growth, and uses the annual earnings to make cash grants is known in the United States and the United Kingdom as a "community foundation."

What follows are examples of CPOs raising funds:

The **Community Foundation of Banská Bystrica** (Slovakia) was partly supported in its early years by the city council, which was attracted to the foundation's mission to support democratic development in the city and strengthen public participation in solving the city's problems. The foundation's budget is now supported partly through an annual campaign, named "500 Friends of Banská Bystrica," to raise gifts from individuals. Gifts in amounts of \$30US, \$7US or student category of \$1US are sought. Young volunteers help make calls, and interesting painted stones are given out to those making contributions. In addition to raising money, this strategy makes the CPO more visible and broadens the base of financial support. In a different strategy, the foundation designed and published a calendar, "Children for Children," with 13 original pictures, and designed post cards with three pictures of the city of Zvolen, which has a special fund at the foundation to benefit people of that city. These products highlighted features of the region and brought in funds. They are actively promoted and sold through companies, schools, and shops. Through volunteers in the United States, the foundation created a Slovak Fund within a community foundation in West Virginia, to make it easier for US donors to support its work.

Bringing together representatives of the business world, local government and the third sector, the **Open Society Club — Varna** succeeded in projecting itself as an important NGO. Together with a reputation for good financial management, the club has made itself attractive to donors. The club's five-year report (ending 1997) lists 79 different sponsors — individuals, local businesses, huge international businesses — from within the city.

The local affiliates of **United Way/Hungary** rely on organized fundraising events to generate resources, and ask small businesses to participate financially. These appeals are mostly based on personal contacts of board members, and start with a small, informal, often verbal proposal. The primary motivation for giving is to do something good, and is sometimes motivated by unhappy experiences in the donor's own background. With larger businesses, moral responsibility and even corporate responsibility are contributing factors. Workplace-giving campaigns can raise a good deal of money if many employees choose to participate, once an employer is successfully recruited.

The **Snow Mountain Community Foundation** (Poland) invests the income from its public events (for which it charges \$25US) into an endowment fund, which will reach \$25,000US by the new Millennium.

**E. A community philanthropy organization manages its financial resources with care and prudence, and consistent with the wishes of the donor.**

- A philanthropy organization can be called a “community philanthropy organization” when management policy is made locally by a board of directors composed of highly respected members of the community. The board governs how funds are to be raised, managed and distributed.
- A CPO strives to maintain its integrity and credibility. Adherence to high standards of accountability and transparency of operations is essential, especially with regard to the management of funds. A record of sound management is essential for attracting large gifts. The entire nonprofit sector, through its membership organizations (e.g., CIVICUS, European Foundation Centre and local donors’ forums) in Central/Eastern Europe and worldwide, has been vigorously promoting such standards to ensure the viability of local community philanthropy organizations as well as NGOs in general.
- A CPO may choose to emphasize the long term over the short term. In the United States and United Kingdom, CPOs typically create an endowment or trust — separate investment accounts

from which the annual earnings (and not the principal) are distributed in the form of cash grants. The accumulation of endowment funds requires a number of pre-conditions: a stable economy and reliable financial institutions; an inflation rate lower than the rate of return of the CPO’s investments; the board’s resolve to ignore the impulse to distribute money today from the monies it has set aside for use tomorrow; and potential donors’ faith that the CPO will survive long enough for their gifts to be meaningful.<sup>1</sup>

- How large and urban (or how small and rural) an area should be to be included by a CPO is uncertain; it is a topic where actual experience has frequently challenged theory. Good geographic boundaries seem to depend on the CPO’s ingenuity in involving people, and its mechanisms for inclusion of legitimate and diverse voices in the organization’s governance.
- A CPO must tend to its own healthy development. A portion of the money it receives must be used to develop its own capacities as an effective, credible NGO. It must be able to demonstrate growing competence in these areas:

<sup>1</sup> Endowment building in the United States is aided by the federal tax code, which contains several incentives for donating small and large amounts of money. The tax code encourages individuals to accumulate large amounts of money, but it also encourages individuals to give, especially at death. Independent sector organizations find it advantageous to tap into the “intergenerational transfer of wealth,” which is estimated now to be in the trillions of dollars. Endowment-building organizations such as foundations, universities, and arts and culture organizations, compete to get themselves named in the wills of people of substantial but also modest means. Gifts in the thousands and even millions of dollars are the expected and not uncommon result. Perhaps this strategy will some day prove fruitful in Central/Eastern Europe as well.

- a) governing and managing with sound policies and practices;
- b) raising funds from a variety of sources and managing them wisely;
- c) creating constructive relationships with key segments of the community; and
- d) identifying worthwhile community-building activities and groups, and supporting them such that they, too, become effective.

What follows are examples of CPOs managing resources:

The **Healthy City Foundation — Community Foundation of Banská Bystrica** (Slovakia), striving to be fully transparent to the public, uses the local media to inform the public about deadlines, conditions for applicants, approved grants, fundraising efforts and important events. The foundation publishes its own information bulletin, fundraising leaflet and annual report, which are made available to the public. The foundation has established an endowment, and met its first goal of \$160,000US. The endowment is in three different banks (one foreign bank) in USD currency with 5 percent average interest. The CPO has established four “donor’s named funds,” in which individuals create a fund within the foundation. Typically, part

of the fund (interest and sometimes principal) is gradually granted out in the donor’s name. It is a way to honor or remember a treasured person.

The **Community Foundation of Ústí nad Labem** (Czech Republic) was registered with the endowment of \$300,000US, the major part of which is formed by a property it received as a donation from a Prague company.

The **Snow Mountain Community Foundation** (Poland) is one of 14 CPOs joined in a network. It receives considerable support and technical assistance from the Academy for the Development of Philanthropy in Poland. This assistance, in the form of training and project support, is intended to increase the chances for long-term survival.

The chairman of the **Open Society Club — Varna**, indicating the difficulty of NGO survival, proclaims in the first paragraph of the club’s annual report, “When an organization can survive the changes of time, especially the present, by conforming to rules and the acting social laws of the moment, then undoubtedly such an organization is capable of perceiving the real problems and defending its own values.”

### III. Challenges to Creating Community Philanthropy

It takes planning, persistence and favorable conditions for a CPO to succeed, even in communities with substantial resources. Some of the more significant challenges in Central/Eastern Europe are:

***“It’s the government’s responsibility.”*** Many people are accustomed to letting the government be responsible for almost everything, especially for creating solutions to local problems. With democracy, and with different roles for national and local government, the lines of responsibility are changing. Local leaders can help introduce an attitude of interdependence, people helping people and cooperation across new lines.

***“Why are you doing this?”*** The recent political history of Central/Eastern Europe is a major barrier to the re-introduction of philanthropy. People are frequently suspicious of the motives of people who want to help. Perhaps the passage of time and a succession of positive experiences will help erase this suspicion. To answer the suspicious question: “Helping” is a natural impulse; all communities have traditions of helping, giving and getting involved. Even under oppressive conditions, there is room for expressing the impulse to care and help others. The spirit of generosity and extending help is practiced all around

the world by people of all backgrounds and all economic means. This is true in communities of abundant wealth and in those less fortunate. It is also true for individuals at all levels of economic comfort. The empowerment of people to care and get involved is the essence of community philanthropy.

#### ***The traumatic legacy of “volunteering” from the recent past.***

An observer of local history put it this way: “During state communism in Central/Eastern Europe, charity and philanthropy were devastated, and ‘voluntarism’ was a tool of the party. People had to work ‘voluntarily’ for ‘common goals.’ If you did not participate, you would be designated a renegade and you could have problems. One of the legacies from the past is this trauma of the ‘official duty to volunteer.’ I think that this aspect of the past is more important than any unwillingness of our people to give their money or work.”

***“We’ve never done this before.”*** Local leaders typically have not had enough opportunity to learn about the roles and practices of the independent sector. Skills for managing these new kinds of organizations are in short supply. And unlike corruption in the private sector, the corruption of a single NGO or foundation seems to tarnish the reputation of the entire sector. Resource centers that provide information on developing responsible NGOs exist in all countries of Central/Eastern Europe.

***Western models may be appropriate — or they may not.*** The approaches of American institutional philanthropy have developed over a 200-year period in a context that is vastly different from Europe's. It is entirely possible that the institutional forms America (or Western Europe) has pioneered do not fit well, or easily, or quickly, when transplanted into regions that have had such different experiences. "Transplanting" anything requires the right "soil"; perhaps the most viable is something authentically "home-grown" or a "hybrid." Local leaders, as well as outsiders wanting to help, must have patience and an appreciation for experimentation and uncertainty. Indeed, developing local financial support is proving to be difficult, though additional progress hopefully will be made through more intense experimentation.

***A legal framework that legitimizes the sector and encourages giving was slow in coming.*** In 1989, national law governing the role of non-governmental and philanthropic organizations in Central/Eastern Europe was archaic. Worldwide, for that matter, the quality of legislation affecting the sector was uneven, but the changing dynamics of both government and business has stimulated the independent sector, and stimulated legislative change. By now there is hardly a country in Europe or elsewhere that has not recently improved its legislation governing the legal and

fiscal frameworks for the sector. The essential intent of this legal work is to carve out space from both the private, commercial sector and the public, governmental sector to create and authorize a third, independent sector, and to protect the sector from abuse and give it room to flourish. The results of legal advocacy, while by no means perfect, are nevertheless notable improvements.

***Growth of a CPO is typically slow.*** It takes time to accumulate the funds needed to be an effective CPO. Finding people who feel they can afford to give is not easy. "There is not much of a charitable impulse among our new millionaires," said one source. Still, acts of philanthropy do not depend at all on wealth or on tax incentives. In the United States, poor people give far more (proportionately) than wealthy people do, in both time and money. Participation in the life of the community, and acts of generosity and support are not limited to the wealthy. It is this culture of participation and caring that must be developed; money will follow. Gathering small amounts of money from many people is better for the long-term viability of the CPO than getting the same amount from one donor.

***"I don't understand the work of a CPO."*** Open communication among all NGOs and among all sectors is essential throughout the life of a CPO. The main message: CPOs can improve the

quality of life in communities. They support and encourage the basic human values of caring, sharing and working in cooperation for community improvement. They can be vehicles for building civil society and democracy. They can facilitate partnerships among a variety of people and institutions, strengthening the social fabric. They can be intermediaries between people of good will and those who can creatively apply needed resources. They can be flexible in their focus as different opportunities arise. They can use a wide range of creative tools to make things happen. They are attractive to donors who want to support the betterment of a given community.

#### IV. Basic Requirements for Successfully Launching a CPO

A study of emerging community foundations in the United States in 1988 revealed a number of basic ingredients necessary for the early vitality of the organization. If adapted to CPOs (not just community foundations) in Central/Eastern Europe, the list of starting requirements might read like this:

- An emerging CPO must have an understanding and appreciation of what a CPO is and what it can do.
  - The leadership of the CPO must have an appreciative understanding of the variety of roles that it can play in the community.
- The leadership of a CPO must understand the basic requirements of developing a CPO.
- The leadership of a CPO must be thoroughly familiar with the community to be served — its issues, resources and institutions, and obstacles to growth.
- An emerging CPO must have board members who commit themselves to the challenge of development.
  - A CPO must have board members who are respected by the community and represent the community's interests, sub-regions and demographic groups.
  - A CPO must have board members who are willing and able to speak and act on behalf of the best interests of the CPO.
  - A CPO must have a full-time, skilled executive director with appropriate qualifications to staff the board and provide continuity of efforts.
- An emerging CPO must have several basic administrative mechanisms to begin and sustain operations.
  - A CPO must have proper legal standing as an NGO, and independence from other organizations.

- A CPO must have bylaws and procedures for managing the organization.
- A CPO must have a mission statement to define its purpose, and a comprehensive plan to guide its progress for the next two to five years.
- A CPO must have policies for financial accounting and disclosure.
- An emerging CPO must develop financial resources for administration and projects.
  - A CPO must have assessed positively the potential for contributions from inside its community.
  - A CPO must have an administrative budget that includes reliable sources of income.
  - A CPO must have a formal plan for raising funds that draws on a variety of sources. The plan should specify stated goals, roles to be played by board and staff, a list of prospects, and a timeline.
- An emerging CPO must develop a useful role in the community.
  - A CPO must have materials to educate key segments of its community on the potential of a flourishing CPO.

- A CPO must offer support to a variety of NGOs and citizens groups, by giving them encouragement, consultation, meeting space and equipment, or financial support for their work.
- A CPO must facilitate meetings of diverse voices and ideas. It must be visionary in the search for new opportunities to achieve the broader goals of the community.
- A CPO must be purposeful in its distribution of scarce philanthropic resources.

## V. Support for Community Philanthropy

Some organizations have become specialized as support organizations — they exist to support the emergence of institutional community philanthropy. Their work is to help the local leadership create the beginnings of a viable CPO. They assist emerging CPOs in becoming increasingly capable and autonomous, in all the areas cited in the previous section.

A community philanthropy support organization (CPSO) helps by:

- ***offering information to the general public about the work of the independent sector and community philanthropy.*** A CPSO provides information to the public on the work of the independent sector, including NGOs, foundations and citizens groups. It points out local examples of informal philanthropy — people



working to improve the community. It strives to stimulate that activity and develop it further. It helps publicize citizens' initiatives to improve their visibility and make their presence known. Ultimately, it helps publicize the existence and work of CPOs once they have formed.

- ***assisting local leaders in taking the first steps in forming a community philanthropy organization.*** A CPSO provides information on the requirements for creating a community philanthropy organization. It supports local leaders who show interest in the concept of community philanthropy, and helps them take the next steps in creating a CPO. It promotes better understanding among the different sectors — civic, non-governmental, governmental and business — so that they can cooperate in creating opportunities for community betterment. It offers advice on how to get training and funding.
- ***helping a nascent CPO to emerge and develop its capacities.*** A CPSO offers advice and assistance in formally structuring a CPO. It provides examples of organizational development, useful activities and projects that benefit the community, and studies showing how other communities have developed their CPOs. It offers opportunities for emerging CPOs to learn how other CPOs have developed. It offers management training — or access to training — to emerging CPOs.

- ***cultivating sources of financial and other resources for emerging CPOs.*** A CPSO works to improve the legal and financial environment for community philanthropy and for the independent sector as a whole. It identifies sources of funding, and helps raise philanthropic capital from local businesses, multinational corporations doing business locally, agencies of the European Union, and foreign foundations to support start-up costs, basic operations, training and assistance, and small projects. It advises emerging donors. It acts as intermediary, arranging transfers of philanthropic funds.

What follows are examples of CPSOs' work in Central/Eastern Europe:

### Poland

The **Academy for the Development of Philanthropy in Poland**, together with the Forum for Non-Governmental Initiatives, developed a strategy for the national “Benefactor of the Year” award, and for regional editions of the competition. It is working with the Social Advertising Foundation for widespread promotion. The academy is an active publisher of materials to stimulate philanthropy. It provides copy for the business press on its mission and programs. It published “Doing Good Without Government” to present good examples of activities of NGOs in Poland. It published an informational booklet, “Capital Endowments,” containing the legal-financial aspects of cre-



ating endowments in Poland. Five hundred copies were published, and sent to all members of the national network of CPOs. The academy is also creating an Internet publication, “A Donor’s Handbook,” to make it easier to contribute to philanthropic projects and to benefit from tax breaks and exemptions. Other publications are planned to provide principles of creating and managing community philanthropy organizations.

The **Foundation in Support of Local Democracy**, in cooperation with the Academy for the Development of Philanthropy in Poland, is providing support and technical assistance with the following types of activities: planning and networking workshops with representatives from each project in each community; seminars with international and national experts on community research and evaluation methods, fundraising techniques, cross-sector networking, strategic planning, grantmaking, donor services, organizational management, public and media relations, and financial management and stewardship; and study visits to existing CPOs in the region as well as Western Europe and the United States. The foundation is compiling a manual of training materials, case studies and results of research related to each of the three cities in which it is encouraging the emergence of CPOs. This will help other communities interested in undertaking similar projects. In a final conference, it will host community leaders from other cities in Poland to share the lessons learned from this project.

## Bulgaria

The **Open Society Fund — Sofia** supported the creation, in 1992, of six “Open Society Clubs” in the principal cities of Bulgaria, and then seven more. The clubs were founded to engage citizens in local decisionmaking, to promote cross-sector partnerships, to develop the capacity to raise funds locally for activities that address locally identified needs, and to contribute to the visibility and understanding of the independent sector among citizens in Bulgaria. From the beginning, OSF — Sofia has regarded the free civic associations and their activities as the primary expressions of the values and the philosophy of “open society.” OSF — Sofia helped strengthen the clubs by (a) providing financial stability; (b) encouraging the clubs to perform assessments of local needs; (c) developing basic procedures of grantmaking; (d) encouraging local fundraising events that helped public relations; and (e) providing the clubs with means to operate such major endeavors as information centers, printing houses and radio stations. A major program of technical assistance was launched to strengthen the clubs in terms of organization-building, strategic planning, skills in management and grantmaking, long-term resource development, opportunities assessment, and community leadership role.

The **Bulgarian Association for Regional Development** is a membership organization of the Open Society Clubs in Bulgaria and has the purpose of supporting their continued development.

Association staff helps its members develop projects. It helps with writing and sending grant applications inside and outside the country, and then helps with project implementation. For example, it works with a national campaign to save the ozone, and organizes meetings and debates locally on the pension reform and the new pension law in Bulgaria. The association is also a lead partner in a project, “Social Safety Net Reform in Bulgaria,” a program of the Demnet Program of the U.S. Agency for International Development in Bulgaria. The association participates as a partner in a campaign for better legislation for NGOs in Bulgaria.

### Czech Republic

The **Community Partnership Support Initiative** was designed to meet the demand from communities for technical and financial assistance in developing community projects. One of these expressed needs is for community philanthropy development based on partnership between different sectors: donors, NGOs, national and local governments. The initiative is itself a collaborative effort of five foundations (Open Society Fund — Prague, Charles Stewart Mott Foundation, Nadace VIA, Community Foundation of Ústí nad Labem, Partnership Foundation). The initiative intends to strengthen the skills of NGOs doing community-oriented projects at the local level. The goals for NGOs are (1) improved support from local sources; (2) improved credibility and trustworthiness of NGOs; (3) increased capacity of NGOs, especially through broadened involvement in community

affairs; and (4) increased sustainability of NGOs through the above actions. The initiative offers assistance in several forms: an analysis of strengths, weaknesses and opportunities; an assistance plan to address the results of the analysis; on-site consultation and training; dialogue with other participants; seminars; internships; and small discretionary cash grants in support of a proposed project.

The **VIA Foundation (Nadace VIA)** was founded as the successor organization to the Czech office of the Foundation for a Civil Society. Its work can be divided into three program pillars. The first, community revitalization, is aimed at promoting and supporting democratic principles of community-building with an emphasis on public-private partnerships and citizen participation in public affairs. The second, third sector development [what has been called independent sector throughout this report], focuses on improving the professional skills and organizational capacity of NGOs and the image of the sector. One such project offers journalism students at three Czech universities an opportunity to work as interns at NGOs and presents an award for best article on the sector. The third program effort is development of philanthropy. The VIA BONA award promotes good examples of giving and publicly acknowledges those who have provided NGOs with financial or other types of support. Another project, DataVia, encourages partnerships between donors and organizations that engage in publicly beneficial

activities through a data base of NGOs. The data base will help donors to identify potential NGO partners based on a number of criteria.

### Slovakia

**Open Society Fund — Bratislava** established a program of support for community foundations in 1996, in cooperation with other NGOs. It did so upon seeing the need for a cooperative, cross-sector approach to solving local problems. Due to the emerging success of Healthy City Foundation — Banská Bystrica Community Foundation, the fund's board of directors decided to support community projects and initiatives by establishing mechanisms in support of them at the local level. The objective of these community projects is to strengthen public involvement in resolving local problems. The fund does this by providing small grants and other forms of support for projects which improve the lives of the city/region's residents. These projects should have the potential for long-term development and support, and solid integration into the community. The fund chose three cities or regions in Slovakia (Pezinok, Trenčín, and Prešov) for support. The objective is to help each project establish a strategy for functioning beyond start-up, and gradually eliminate dependence on outside sources of support. While each project is unique, there are common elements to the support strategy: each city/region submits a project proposal stating how the city and its residents and institu-

tions can become involved; the municipality is involved as participant as well as financial contributor; a separate institution is established in cooperation with civic groups in the city, which will gather and manage the funds; and funds are to be solicited locally and pooled with other funds provided by the Open Society Fund — Bratislava.

**Nadacia Ekopolis**, in Banská Bystrica has a new program, "Local Voices," to support NGOs working in the areas of community philanthropy, community development and rural life. Officials of Nadacia Ekopolis have written: "Philanthropy is an important element in promoting public participation. It works on at least two fronts. On the one hand it promotes interaction between NGOs and citizens, local businesses and local government, and creates a necessary population base with a socially responsible consciousness. In this way it engages people in issues, ideas and activities and gets them more involved, either actively or via financial contributions, in local affairs. On the other hand, philanthropy is a critically important component toward developing NGO sustainability while foreign funders gradually phase out of Slovakia. By broadening its stakeholder base, an NGO increases its value to the community, taps into local sources of financial support and increases chances for long-term sustainability. This program will have in mind the existing and emerging community foundations, mostly in urban areas."

## Hungary

**United Way/Hungary (Eroforras Foundation)** is a new organization that supports centrally a network of 23 affiliates throughout Hungary. The United Way model was introduced in Hungary in 1991 and since then has worked enthusiastically and successfully in stimulating local giving and philanthropy. One major feature of the United Way model, as originated in the United States, is workplace giving, in which employees of an organization are asked to contribute a portion of their salary to a variety of NGOs working in different community arenas, such as family and children's welfare, or health, or homelessness. Their contributions are then deducted from their salary and passed on to United Way, which distributes the proceeds to approved NGO agencies. A second major characteristic is the use of volunteers from the community to help make funding decisions, and to encourage employers to conduct such a campaign. Results in 1997 included: a successful campaign to encourage workplace giving among employees of a major industry in Budapest, and in two smaller companies; raising more than \$480,000US throughout Hungary and distributing these funds to 583 human service NGOs; 550 volunteers served on

United Way boards and committees and worked on special events and day-to-day activities, representing approximately 18,500 work hours. Objectives for the near future are to establish uniform systems of financial accounting to promote transparency, develop a code of ethics for each affiliate, improve the efficiency of fund allocation and grantmaking activities, and provide training in all areas of operations and activities.

## VI. A Closing Word

**T**hough CPOs are just emerging in Central/Eastern Europe, they can become powerful vehicles for strengthening civic participation and empowering communities. Through a combination of functions — project support, fund development, financial stewardship, donor services and local leadership — a CPO works to improve the quality of life and build a better future for the area it serves. With its hallmark characteristics of optimism, flexibility, responsiveness and innovation, a CPO brings together the diverse aspects of a community in a special way that inspires cooperation, strengthens bonds and leverages new resources.

## Where Can I Get More Information?

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This is one in a series of booklets about practical guidelines for meeting local challenges published by the Charles Stewart Mott Foundation for communities in Central and Eastern Europe. The Mott Foundation, based in Flint, Michigan, U.S.A., began working in Central and Eastern Europe and the former Soviet Union in 1989 to help countries become democratic and pluralistic societies. Its work stems from the belief that it is communities that sustain civil society in which respect, protection of human rights and self-determination can flourish. The Foundation's regional office is located in Prague, Czech Republic.

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