

## Reflections:

### Exploring the Community Foundations Model and the Building of Capital

#### Study Visit to German Community Foundations

26-30 October 2016

As a practitioner serving on the Board of Trustees of the Cluj Community Foundation since 2010, I participated in my second study visit and was asked to share my reflections drawing on the insights gained during the experience.

The Cluj Community Foundation is nearing its 9<sup>th</sup> anniversary. It is the first of currently 16 community foundations established in Romania and follows the American model. Community foundations (CF) according to this model are defined as:

"independent registered philanthropic institutions serving geographically defined territory, typically a city or administrative area (county, region and the like). The six main characteristics of the CFs are:

1. Act as grant-making foundations – e.g. give grants to support development projects
2. Their mission broadly defined (e.g. to improve quality of life in a community)
3. Serve geographically defined communities – a city, state, region, district or province
4. Are supported by a broad range of private as well as public donors and seek philanthropic contributions primarily from inside the community
5. Are governed by multi-sectoral local boards reflecting the community
6. Build capital endowment, which is an important element of sustainability<sup>1</sup>

The Germany Study Visit began with an introduction by Felix Oldenburg, Secretary General of the Association of German Foundations, who said, when speaking about their work, many foundations focus on 1) the volume of the donations they've received and distributed and 2) the impact of their work. He underlined however, that **the social capital engaged and mobilized in the community was something that could not be defined with a price tag**. He went on to say that he did not believe that the community foundations movement would rely on big funders in the future. This resonated with me and thoughts I have had over the past years. Yet the current model of community foundations, as practiced in Romania, primarily addresses financial capital as opposed to social capital. Through my experience these past six years with community foundations, I've observed that although we try to engage the general population of a community, a lot of our conversation focuses on engaging these big funders. The question that emerged during this study visit was then:

*In the context of a rapidly changing world, could it be that the current model of community foundations needs to evolve to adapt to this changing context in order to ensure its sustainability? Do we need to re-think what our greatest assets in the community are? Shouldn't the model put an accent on social capital as much as, if not more than financial capital?*

Our group visited two community foundations which demonstrated different interpretations of the community foundation

---

1 "Community Foundation." *Wikipedia*. Wikimedia Foundation, 16 June 2016. Web.

concept and helped me understand better the diversity of approaches found in Germany. Dresden and Halle community foundations are apparently quite different. Dresden, the 3rd oldest community foundation in Germany was founded on the strong conviction of its founding members that in spite of its communist past, they could apply the community foundation concept successfully. It acts as a large umbrella foundation, functioning primarily as a grant-maker, managing an endowment of over 2 million euro, and establishing themselves as a leader for the non-profit sector in their community who turn to them for expertise and support. A turning point which led to a significant increase in their assets occurred after the astronomical floods in 2002 when they were considered a focal point to coordinate and distribute national state funds to assist the community manage the challenge. Through the current refugee project we visited run under one of the organizations falling within the umbrella of the foundation, it was clear that the Bürgerstiftung Dresden is a trusted partner in the community for the community and is able to draw on this trust to achieve its goals. An example was how they were able to move their work with the refugees who are housed on the outskirts of the city indoors when the weather got colder, and into the cultural and administrative heart of the city, by hosting the project inside the city's museums.

Halle on the other hand is a project-oriented community foundation who runs a number of their own very creative projects to address a number of issues in their community. Their grant-making is very limited and they did not appear to rely on or have great confidence in fund-raising as a means to achieve the goals they have proposed. They have an endowment of just over 1/2 a million euro which is safely invested in a bank, but which generates very little interest. What was particularly inspiring and noteworthy was how they managed to build social cohesion by focusing on bridge-building in the community. Their projects clearly put the accent on the social capital they have access to for community building.

In both of these cities, although diverse in their approaches, in order to fulfill their mission their strength seems to lie not in the amount of endowment they hold, but rather in their reliance upon and nurturing of the social capital they have built within the community. By definition, their endowment should be the factor contributing to their sustainability. However, what I observed were two community foundations as opposing as possible within the framework given, yet, at the same time astonishingly adaptable and flexible, more because of the relationships of trust built and the partnerships nurtured within the community than as a result of the money they have at their disposal.

The Halle Bürgerstiftung has an endowment of 1/2 million euro; a sum which we in Cluj would dream to build in the near future. It will take a lot of energy and resources to do so. The community foundations in Romania are now in consultation with the Romanian American Fund as well as the Charles Stewart Mott Foundation since more than a year about how to go forward with this endeavour. They are graciously assisting us with this process with their expertise and resources, ready to provide us with matching funds 1:1:1 in order to set up our endowments. We are currently in the process of evaluating our foundations in order to see areas where we need to build capacity before embarking on the process of endowment fundraising. However, for the past years, our community foundation in Cluj has been struggling with covering its operational costs. Since the inception of the community foundation movement in Romania, general purpose funds obtained from large foundations like CS Mott or a large private funder have been the way in which we have covered our operational costs. Now our staff has expanded, as needed, in order to meet the needs for human resources, yet cash flow is a constant struggle.

*Applying for various general purpose grants is a help in the short term but these possibilities are limited.*

*When considering the model for community foundations which was born in the U.S. over 100 years ago, what is*

*the path towards sustainability for Romanian community foundations?*

There are a lot of hopes placed upon the building of endowment for the purpose of creating this sustainability in Romania. However, it was interesting for me to see that in Germany where the community foundation movement is the most widespread and growing at the fastest pace in Europe, community foundations in the country have endowment funds in the sum total of 333.7 million euro yet one of the most pressing challenges for these foundations is what to do with this endowment in order for it to bring them interest which can be utilized for their work. Since the financial crisis of 2008, the interest generated from this endowment is almost negligible. *A Guide to Community Foundations in Germany* lists the three major challenges currently facing the community foundation movement in Germany, one of which is the topic of the endowment fund.

"While the capital of German community foundations has grown considerably, there are striking differences among the individual foundations. In terms of their capital, *most community foundations remain at a level where stable funding of their expenditures is not assured*. Only about 16 per cent of the community foundations can already work with income from a capital of over EUR 1 million."<sup>2</sup>

*Is endowment still the means towards sustainability? Should our focus at this time be on building endowment in Romania in order to ensure sustainability?*

After visiting the two community foundations in Germany the factor that seemed to lend to their sustainability was not so much their endowments but rather the social capital built. These relationships of trust are in my understanding and in my personal experience as a volunteer community builder since my youth, the true foundation of community building. The mission of community foundations is to improve the quality of life in the community. Grant-making in itself is one of the ways in which community foundations can do this but as seen in the example of Halle, not always the main modus operandi. Endowments have been and are still viewed as the keys to sustainability. However, in Germany, where there are currently 307 Bürgerstiftungen which have received the Seal of Approval, endowment is assisting **only 16%** of these certified community foundations to cover their operational costs.

*How can we focus our peer learning on building capacity for increasing our social capital? How can the European Community Foundation Initiative support the generation of learning on this topic, learning which is true in every context and every reality?* Whereas best practices need to be adapted to one's own reality, true learning is universally applicable. *Would focusing future visits in Europe on study cases related to successes in building social capital be conducive to more effective peer learning? Would it lead to advances in sustainability?*

Returning to the definition of community foundations, I heard the concept of democratic philanthropy being suggested; philanthropy where not only those with great wealth such as the likes of Bill Gates can become philanthropists, but where each citizen of a community can identify themselves as a philanthropist. As a native English speaker raised in Canada, I would suggest we even consider identifying our work in terms of *community building*, returning to the *roots* of the word philanthropy. The Merriam-Webster dictionary defines philanthropy as "*the practice of giving **money** and time to*

---

<sup>2</sup> Küstermann, B., M. Rummel, and M. Schwärzel. *A Guide to Community Foundations in Germany*. Berlin: Association for German Foundations, 2016. Print.

*help make life better for other people"*.<sup>3</sup> Most native English speakers associate the word "philanthropist" with wealth and the giving of it for charitable purposes. However the roots of the word philanthropy come from Greek and *"means etymologically, the love of humanity, in the sense of caring, nourishing, developing, and enhancing what it means to be human. ...it involves both the benefactor (and beneficiary) in their identifying and exercising their values..."*<sup>4</sup>. It is this root meaning responsible for building the fabric of society through the application of virtues and values that defines our true humanity and should be more emphasized in our work.

***By emphasizing the construction of social capital, could promoting the development of those values in society which stem from the root of the term philanthropy be a means by which the model of community foundations could evolve and gain strength ultimately ensuring their sustainability?***

There has been understandably a lot of focus on learning about fundraising mechanisms, on donor relations, on grantmaking and other aspects of the work of a community foundation in the development of CFs in Romania. This has clearly been important in order to be able to contribute to a concept's evolution, understanding and applying the concept as it is currently used is essential. In Romania we have been busy learning how to effectively apply the current model. However given the crossroads at which we find ourselves in trying to navigate the way towards sustainability, gaining insights into the challenges facing community foundations in western countries seems essential in finding the right way forward. It would follow then that identifying the strengths of community foundations in fulfilling their core mission to become true mechanisms of change and well-being for the community could be a step forward.

Measuring the success of our work as community foundations who build community and contribute to the the betterment of the society in which we live seems intrinsically linked to a measure of the civic engagement of the population we serve. Adler and Goggin (2005) define civic engagement as "the ways in which citizens participate in the life of a community in order to improve conditions for others or help shape the community's future".<sup>5</sup> In *Bowling Alone*, Robert Putnam (1995) discusses the theory of social capital. He supports the assertion that the strength of the networks of social interaction within a society are directly proportional to the community's problem-solving and decision-making capacities.

---

3 "Philanthropy." *Merriam-Webster*. N.p., n.d. Web. 7 Oct. 2016.

4 "Philanthropy." Wikipedia. Wikimedia Foundation, 11 Sept. 2016. Web.

5 Adler, Richard P., and Judy Goggin. "What Do We Mean By "Civic Engagement"?" *Journal of Transformative Education* 3.3 (n.d.): n. pag. Sage Publications. Web.

In a rapidly changing world, structures and ways of thinking long held as true are being challenged.

***Would it not follow then that the strength of our community foundations should be measured in terms of civic engagement as opposed to endowment funds or donations made? How could the European Community Foundations Initiative contribute towards strengthening the capacity of CFs throughout Europe to build this social capital?***

The European model of a united Europe is being challenged. Among other things the current refugee situation is testing our societies, our resourcefulness, our tolerance, our flexibility, our inclusiveness and ultimately our problem-solving capacities. Witnessing two of the **over 150 community foundations in Germany actively involved in assisting the integration of the refugees and contribute towards social cohesion** with creative approaches to showing leadership was a testimony to the effectiveness of a foundation who apparently, in spite of the wealth of financial capital at their disposal, put their main focus on their social capital as their primary resource for effectively handling challenges.

To close I would just share with you a little about myself to provide a personal context for the thoughts shared above. As a Baha'i, I have grown up identifying myself as a world citizen and understood that my prosperity is inherently connected to the prosperity of my fellow man. Throughout my life I have worked in community development as a volunteer and learned through experience that so much can be achieved through the mobilization of social capital. I have witnessed this reality during my childhood where I volunteered as a 10 year old traffic patrol, or learned to serve as a girl scout. As a junior youth I volunteered teaching character development to younger children and in my later youth organized university symposiums on peace education through the student's association I belonged to. In my adult life I worked with women's empowerment both at the grassroots and European levels and later began serving as a community development human resource counsellor nationally, while at the same time working at the grassroots in my own neighbourhood as an animator for junior youth moral empowerment and civic engagement. Through all of these personal experiences I can attest that the greatest asset has always been the personal engagement of those who believed in what they were doing, an asset which made any obstacle easily surmountable.

#### References:

Adler, Richard P., and Judy Goggin. "What Do We Mean By "Civic Engagement"?" *Journal of Transformative Education* 3.3 (n.d.): n. pag. Sage Publications. Web.

"Community Foundation." *Wikipedia*. Wikimedia Foundation, 16 June 2016. Web.

Küstermann, B., M. Rummel, and M. Schwärzel. *A Guide to Community Foundations in Germany*. Berlin: Association for German Foundations, 2016. Print.

"Philanthropy." *Merriam-Webster*. N.p., n.d. Web. 7 Oct. 2016.

"Philanthropy." *Wikipedia*. Wikimedia Foundation, 11 Sept. 2016. Web.

Putnam, Robert D. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster, 2000. Print.