

COMMUNITY FOUNDATIONS IN CENTRAL EUROPE

Waiting for society to catch up

Boris Strečanský

Following the fall of communism in Central and Eastern Europe, grantmaking has re-emerged, with foreign grantmakers entering the region in the early 1990s, followed by indigenous grantmakers towards the end of the decade.¹ However, 40 years of closed societies effectively wiped out the meagre experience and memory of the prewar generation about the culture of grantmaking, and in many ways it was a question of starting from scratch. This is one of the significant challenges in civil society development in the region, and the role that community foundations can play in this is just starting to become apparent.



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The author would like to thank Juraj Mesík for his valuable comments on this article.

At the time of the establishment of the first community foundation in Banská Bystrica, Slovakia, it did not look as if community foundations would necessarily play a major role in indigenous grantmaking in the region. But community foundations have succeeded in raising funds from companies and the general public in a way that other grantmakers have not. Pavol Demeš and Joerg Foerbrig have shown that less than 20 per cent of the funds of indigenous grantmakers in Central Europe come from 'corporate or broadly societal' contributions. The vast majority comes from government, EU funds or foreign private funds.

Although relatively small in size compared to larger grantmakers in the region, community foundations thus represent an important role model in that they have not relied on EU or government funding. Many of them *did* enjoy multi-year support from foreign funding sources, however, and used the time this gave them to develop their organizations and to develop relationships with individuals and institutions in their communities. Compared to other local grantmakers, community foundations thus tend to be more finely tuned to the vibrations of their communities.

Central Europe is currently experiencing a rapid growth of corporate foundations. In Slovakia alone, 43 have been set up in the last three years, twice as many as in the period between 1993 and 2001, and corporations have become an important source of income for community foundations. It is still too early

to say whether this will lead to a productive relationship for both parties.

Lack of trust

Perhaps the biggest challenge for community foundations is the quality of grantmaking and the lack of a grantmaking culture. Levels of mistrust in post-communist societies remain very high, and this is more of a disadvantage for community foundations than for other indigenous grantmakers. This is because most other grantmakers of regional or national significance rely on either corporate funding or public funding. Community foundations have a more diversified income base, raising money from individuals as well as the other two sectors, and so have to overcome mistrust in many different quarters. Like all indigenous grantmakers, they also have to contend with the fact that governments are becoming more and more demanding with regard to the financial management of public money.

Let us not be overambitious, therefore, about the speed of growth of community foundations in developing and transitional countries. They can be stars, but society has to catch up, and this will take time, more time than the 15 years that we have so far had in Central Europe.

Sustainability

What kind of sustainability are we looking for? Not just continued financial viability, but impact on the community, lasting relationships, and continuity of mission. Some community foundations in developing and transitional countries will probably close, but others will develop into sustainable models. It will take time, skill and leadership.

As mentioned above, community foundations in the region are rebuilding relationships through their work. And they do it especially well where they focus on obtaining a combination of government, corporate and individual support. Good leadership is crucial to success here.

Of course there will be failures, but we should not be afraid of these. In fact, we should expect them and learn from them. Institutionally, community foundations (at least in Slovakia) are relatively well developed in terms of their governance, structure, policies, cooperation, fundraising, etc when compared with other forms of foundation and with NGOs. Another positive indicator is that most community foundations in Slovakia have already gone

¹ As Pavol Demeš and Joerg Foerbrig show in their *Alliance Extra* article on indigenous grantmakers in the Visegrad countries (Poland, Czech Republic, Hungary, Slovakia), by 2002 there were around 180 indigenous grantmakers in the region, while in 1990 there was just a handful of such entities. Demeš and Foerbrig (December 2004) *Discovering Indigenous Grantmakers in Central and Eastern Europe*. See www.alliancemagazine.org

through a leadership change, a very critical point in any small organization.

The question of assets

Small endowments are at the moment, in the view of Ekopolis Foundation, the best instruments for increasing community foundation sustainability in Slovakia. Because of the unstable funding environment, there is a danger that community foundations could be diverted from their mission into operational programming or into following primarily corporate interests. Through good management, almost all community foundations have reserve funds in tens of thousands or hundreds of thousands of dollars. As well as giving them the basis to learn how to develop assets, it also provides them with leverage in their partnership building processes.

There is still a long way to go, however. We must remember that the civil society sector was stripped of assets by the communist regime. Almost all the assets that belonged to foundations and NGOs before the Second World War were nationalized by respective governments. After 1989 civil society in the region was subsidized by the West and did not create its own asset base. Only the Czech Republic implemented a scheme to capitalize its foundations in order to strengthen their position in relation to the state and the market.

Community foundations in Slovakia and Poland are thus important pathfinders in the practice of asset development in the civil society sector. The Banska Bystrica Healthy City Community Foundation, for example, is already to some extent sustainable with its \$600,000 (18 million Slovak crowns) endowment, but it is still a unique case in Slovakia. Other community foundations base their financial sustainability on income-generating mechanisms such as percentage giving,² donor services or other types of giving. Some access public funds, such as EU funds, the long-term effect of which remains to be seen.

Community foundations and social justice

Social justice grantmaking by community foundations in Central Europe is limited; it is certainly not at the core of their work. One reason for this is that

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limited financial independence means a limited range of options. Another and maybe the most fundamental reason is that, despite growing social polarization and perceived social insecurity, Central European countries remain quite egalitarian societies. The Gini index, a recognized statistical indicator of inequality, puts Poland, Slovakia, Czech Republic and Hungary in the group of countries with most equal distribution of family income, along with the Scandinavian countries.³ Social justice, at least for the time being, seems a less pressing matter in the region compared to more polarized societies such as the USA or Russia. The challenges of strengthening local democracy, public participation and civil society are correspondingly much more central to the community foundation agenda in Central Europe.

That is not to say all is well. Some traditional and deep-rooted antipathies persist and the social justice agenda is a difficult one for community foundations in Central Europe. In the case of the Banska Bystrica community foundation, grants to support gay/lesbian issues created a fiercer debate among the foundation board than grants to address Roma minority issues. Although both groups are marginalized in Slovakia and prejudices against both are still very strong, the traditional antipathy to sexual minorities is stronger than hostility to marginalized ethnic groups such as the Roma.

The fact is, issues related to minority rights or human rights are to some extent still new to the people of Central Europe. Civic education, civic virtues and rights, and political culture are only slowly being developed and their role becoming understood. The task for all of us is to understand what the social justice agenda means in our own societies and what role institutions such as community foundations can play in achieving it.

The social justice agenda is in our view also one of the arguments for endowment-building. The continued dependence of community foundations in Central Europe on their donors and the slow pace of change in traditional attitudes among the public restricts the amount of social justice work community foundations can engage in. Endowments or reserve funds will give community foundation boards the latitude to direct their support to issues that are not so popular. @

² This refers to laws in several countries in Central and Eastern Europe, including Slovakia, that allow taxpayers to allocate 1 or 2 per cent of their payable income tax to a charitable organization. See www.onepercent.hu

³ In the 2004 list of 99 countries ranking from the most unequal to the most equal, Poland is number 80, Slovakia 91, Czech Republic 94 and Hungary 98. By comparison, the USA occupies 40th place, Russia 46th, the UK 58th and Germany 84th. See www.photius.com/rankings/economy/distribution_of_family_income_gini_index_2004_0.html