



## Building the Global Infrastructure for Philanthropy

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It is very exciting for me to be here with you. As I understand it, you are coming close to the conclusion of the second year of the Nielsen Issues in Philanthropy Seminar Series. During the two-year period, you've heard from researchers and practitioners, as well as a few people that move easily between the two categories. If I were to place myself in one of the two categories, it would be much more as a practitioner that seldom crosses the line to becoming a researcher. I would also say that I am an unabashed cheerleader on the importance of a vibrant civil society to a healthy and equitable overall society.

To give you some feel for this, let me, at the very outset, give you a personal vision of where I hope the contextual reality for the institutions of civil society is moving. It comes in six parts:

First, that the regulatory framework around the world will increasingly empower rather than shackle the institutions of civil society.

Second, that the tax structure will increasingly provide incentives, not penalties to the institution of civil society.

Third, that private wealth will increasingly be used for public benefit through a plethora of philanthropic mechanisms that people find attractive.

Fourth, that corporations will move beyond the narrow interests of their stockholders to the broader interests of their stakeholders in their corporate giving programs and their sense of corporate social responsibility.

Fifth, that every square foot of the planet will be covered by a community foundation.

And finally, that all philanthropic mechanisms will have an association that they can call home.

I am neither the originator of these points nor the sole owner of any of them, and at this point a number of you might be wondering what all

this has to do with a talk titled “Building the Global Infrastructure for Philanthropy.” The important point is that building the infrastructure for philanthropy is not the end in itself. Rather, the end is usually captured by mission statements that have to do with enhancing the livelihoods of the poor, eradicating poverty, promoting economic development, advocating for human rights, and supporting the arts on any number of other worthy activities. And if these activities are the ends, we need to recognize that for the most part, the chosen instrument of philanthropy is to work through the institution of civil society to accomplish the ends.

If that is the case, then it seems to me that we are building the global infrastructure of philanthropy in order to be able to more effectively support the institutions of civil society in their important activities. Having said that, it seems important to focus on three questions before concentrating on building the global infrastructure for philanthropy itself. These questions are:

- What is this “civil society” that we work through?
- Why do we or should we care about fostering a healthy civil society?
- And, what does it take to ensure that these civil society organizations will be sustainable overtime?

### **What is this “civil society” that we work through?**

The fact that we even define civil society as a sector is quite recent and we are still uncomfortable with the language. At one time or another, we have referred to it as the not-for-profit or non-profit sector, the NGO sector, the voluntary sector, or the citizens' participation sector. I prefer the term civil society, not because it is perfect, but rather, it seems to be the phrase that more and more people across all the regions of the world are using. Civil society is not a new term, and writers from Plato to Putnam have used it. The problem is that the term tends to be used quite differently by different people. So while we

may not have reached a consensus on a definition of civil society, I would suggest that we know what civil society organizations are when we see them.

Basically, we can categorize them under five headings. These are organizations that:

- provide services often to the most disadvantaged, isolated and marginalized segments of our populations,
- educate and train us throughout our lives,
- do independent policy analysis and assessment,
- engaged in advocacy to make sure that people's dreams and demands are heard,
- and strengthen our awareness, identity and enjoyment through artistic expression and cultural understanding.

There is a sixth category of organizations that provide resources to the organizations mentioned above. These are the foundations and foundation-like organizations that make up the philanthropic slice, or sub-sector of civil society and are part of the global infrastructure of philanthropy. But more about this group of organizations later.

We have good data on the 1.5 million plus organizations that make up civil society in the United States and we have data on the scale of civil society in an increasing number of countries. Lester Salamon and his team found that in the 22 countries under study, there were some 20 million organizations with annual revenues exceeding \$1 trillion.

But let me go back to the five categories I put civil society organizations into earlier. For many, this instrumental and descriptive definition of the functions of these institutions would be incomplete for a number of reasons. Let me mention just three.

The first is that the picture is incomplete because it does not touch on the generic perhaps even normative dimension of the institutions of civil society. For many people, the important point is that these organizations welcome participation, sharpen individual's organizational skills, promote tolerance, and enhance inclusion -- to mention a few of the elements that go into building social capital.

The conundrum is that we all know that there are many institutions that have none of these attributes that build social capital. In a sense we might be able to say that while all the institutions of civil society are part of the non-profit sector, not all non-profit institutions are part of civil society -- only those that build social capital.

A second reason the picture is incomplete is that there are lots of institutions and events that tend to be left out of the definition of civil society. Labor unions and political parties are two examples. Our description also seems to apply primarily to formal organizations, but these may be only the tip of the organizational iceberg. What about the many more informal associations and voluntary groups. Surely, our intention is not to exclude them. Finally, there is the complexity of dealing with social movements themselves, one of the important incubators of civil society organizations.

A third reason the picture may be incomplete is the questioning on the part of a number of researchers now as to whether we are indeed a sector after all. At the same time that we are trying to come to grips with what civil society is, the other two sectors of society -- the public sector and the for-profit sector are redefining their roles. The upshot is that the boundaries among the three sectors appear much more porous.

The researchers beat up on us for many years to get us to accept the notion that we belong to a definable sector. Just when most of us have indeed accepted the point, it is being called into question. I'm going to deal with that one for the moment by ignoring the researchers. And continuing to relish the good feeling I get by thinking I'm part of a civil society sector.

If we have at least a working notion of what civil society is, then why should we care about it -- apart from the fact that it is there and bigger than many of us would have predicted? I think you already have a glimmer of my own bias in this regard, but let me be even more explicit.

If we think about the transition to more open and participatory systems that took place in Latin America in the 1970s, Eastern Europe in the late 1980s, and Africa and Asia in the 1990s and the new millennium, we can reasonably ask what is to prevent a regression to authoritarian regimes, as has been the pattern in the past? The answer for an increasing number of people is that in large measure it is a vibrant civil society and the social capital it builds that offer the best protection against regression.

To be sure, the institutions of civil society have always been there. What is different about it in this period of history is that they have a conscious sense of being a part of a sector and these linkages reinforce and strengthen the soft power of their influence.

Here it is important to mention a danger we can all too easily fall into. Because the civil society sector has such an important role to play regardless of whether we are talking about strong states, weak states, or states in transition, we need to remember that it is only one component of society and not a substitute for either of the other two sectors, no matter how compelling that prospect may be at particular historical points.

I hope that by this point you have both a sense of what the institutions of civil society are and why we should care about them. What then are the components of an enabling environment that would enhance the development of a vibrant civil society and its sustainability? Let me suggest five:

The first two, which I mentioned at the beginning of this presentation are:

- a legal framework that empowers groups rather than shackling them
- a tax structure that provides incentives, not penalties

The other three:

- an accountability system that builds confidence in civil society organizations
- the institutional capacity to implement effective activities
- the availability of resources to undertake these activities

It is here that the global infrastructure for philanthropy comes to center stage. In the components that make up this infrastructure, we have the institutions that resource civil society, the institutions that hold them accountable in that task, the institutions that capture the learning from the activities funded, and the institutions that support and nurture the resource providers. Let's take each of the four components up in turn and build a snapshot of the current state of the global infrastructure of philanthropy.

Foundations and other grantmaking institutions are the organizations that resource civil society and the building blocks of the global infrastructure of philanthropy. They have always existed, but under many different names and historically have tended to be somewhat parochial and charitable rather than strategic and developmental. What we are seeing today is an increasing number of grantmaking institutions throughout the world that aspire to be strategic and developmental. These include corporate, independent, and community philanthropies, but nowhere is it more dynamic than in the last of these institutional types. Community philanthropy and community foundations are spreading like wildfire in all the continents. In Canada, the number of community foundations is approaching 150 and in the United Kingdom it is approaching 100. In each case, almost the entire nation will soon be covered and serviced by a community foundation. In

Germany, the first community foundation was established in 1996 and now, just seven years later, there are over 40 in existence and 80 in some preliminary stage of organization. In Mexico, they exist along the U.S./Mexico border and in the interior and many number over 25 already. And versions of this story are being repeated elsewhere in Latin America, in Africa, and in Asia. And while it many not be as dramatic, corporate philanthropy is providing much needed energy and resources in Russia, in Brazil, in Poland, and in the Philippines. At the building block level of grantmaking institutions then, we are on a roll.

One more reason this is important is that so many civil society institutions in Eastern Europe and in the South are funded by foreign sources -- largely from the United States and from Western Europe. This makes them vulnerable to the fickleness of foreign funding on the one hand, and to the charge that they speak not for the interests of their countries, but rather for the interests of their foreign funders. An increasing number of well-resourced, indigenous philanthropic institutions that are strategic and developmental increases the chances that the institutions of civil society can be sustained with internal resources.

The second component of the global infrastructure of philanthropy is responsible for the accountability structure under which the grantmaking institutions operate. In the United States, that accountability structure operates at three levels. One level is that of the state in terms of the regulations grantmaking institutions much comply with. What is different about this level than the other two is that the state has the power to enforce compliance. The second level is the sector level where there is a cluster of mechanisms such as “codes of practice” like that at the Council on Foundations, watchdog organizations like the National Committee for Responsive Philanthropy, and specialized publications like [The Chronicle of Philanthropy](#). Finally, at the level of the individual institutions, there is the transparency that comes from informative reporting and the effective governance that comes from Boards of Directors that know their responsibilities.

When the three-tiered system of accountability is used as a guideline outside North America and much of Western Europe, we find important gaps. Now, I’m not suggesting a cookie cutter approach to accountability that would have the rest of the world essentially copy the Western model, but I do find the categories useful in determining where the functional gaps in accountability are. At the level of the state, in most places civil society organizations are still viewed with suspicion and the regulatory environment reflects this. The regulations emphasize control and often are bureaucratically cumbersome and onerous. At best, this is a grudgingly obtained form of accountability at the expense of operational effectiveness and innovation.

At the sectoral level, the picture is a bit brighter. Increasingly there are associations, support organizations and centers that have developed “codes of practice” for grantmaking institutions, but watchdog organizations and specialized publications are essentially absent.

At the level of the grantmaking institutions, the reporting has increased dramatically in the past 20 years, although the financial side of that reporting can be quite thin. Let’s remember, however, that in hostile environments, fulsome reporting can make your organization quite vulnerable. As far as Boards go, there is a shift taking place from Boards that are largely honorific to Boards that exercise appropriate oversight and guidelines, but the shift is not taking place at breathtaking speed.

The third component of the global infrastructure for philanthropy is the institutions that study the grantmakers and assess the activities funded. One might argue that in the United States this cluster of academic and free-standing institutions has gone beyond the saturation point and is no longer sustainable. Outside the United States, the density of such institutions is sparse, but growing. Often they are staffed by the products of the U.S.-based programs. And importantly, the journals in the field have worked hard to incorporate international perspectives. One that has particular resonance for practitioners around the world is the quarterly magazine called [Alliance](#).

Let me turn now to the final component of the global infrastructure for philanthropy, the institutions that support and nurture the grantmaking institutions. And while these organizations come in the form of membership associations and other types of support organizations, I am going to concentrate on membership associations. I would also like to spend a little more time on this component and particularly on these membership associations of grantmakers because they play such an important role in their societies and they are seldom allowed to bask in the light we turn on foundations, watchdog organizations, and research efforts.

While the Council on Foundations in the United States is still the grandparent of these associations around the world in scale and in history, there are now some 70 membership-based associations of grantmakers around the world operating at the regional, the national, and the sub-national level. Some of these associations serve both the grantmakers and grant seekers. Some serve only grantmakers, but serve all the different types of grantmaking organizations. And some target their support to a particular type of grantmaker -- such as corporate giving programs or community foundations.

I think you can catch the flavor of why these associations are so important in my mind if I quickly present the nine core activities that these associations perform.

First, and at the heart of any association, is the services it provides its members. Services that run the gamut from essential information, to using the new technology, to fundraising and investment practices.

Second, is the convening function these associations perform. It allows members to renew relationships, share experiences, and rekindle the spirit of being involved in a common purpose.

Third, these convenings often provide the first contact in what can develop into powerful collaborations among grantmaking institutions.

Fourth, it is at the level of the association that we often see the most effective development and use of “codes of practice.”

Fifth, these associations often take the lead role in promoting an enabling environment for civil society and grantmaking institutions.

Sixth, associations provide representation and protection to grantmaking organizations and their interests in the public policy arena.

Seventh, these associations are often the vanguard promoting philanthropy and a culture of giving in their societies.

Eighth, it often falls to the associations to communicate the value of institutional philanthropy to the general public and its policy makers.

Ninth, and finally, and particularly in lower-income countries, associations can provide a gateway through which foreign funders can establish and support productive working relationships.

As an aside, most of these associations are now participants in a global network of associations of grantmakers and of support organizations called WINGS -- originally based at the Council on Foundations, now based at the European Foundation Centre, and we hope the principle of rotating the WINGS Secretariat will mean being based in the South in the near future.

I hope this quick overview of four components of the emerging global infrastructure for philanthropy gives you a snapshot of where we are -- on a roll as far as increasing the number of grantmaking institutions that are the building blocks of the global infrastructure of philanthropy, facing significant gaps in the accountability components, and witnessing steady growth in the research component and the number of support organizations such as membership-based associations.

Let me bring this presentation to a close by reflecting on two things -- one an opportunity; the other a serious problem.

First, the opportunity. I have played somewhat loosely with the term global here today. Essentially, I've used it to mean international or operating at the national level outside of the United States. There is, however, something genuinely global, or perhaps transnational is a better term, going on with regard to a particular cluster of civil society institutions. These institutions recognize that the flow of labor and capital across borders, the environmental concerns about water and air pollution are such that solutions cannot be crafted at the level of the nation-state. And yet, there are few accepted international regimes in existence to condition behavior and these may not exist for decades.

Filling this gap is a cluster of transnational civil society actors that are striving to be the surrogates for accountability during this period of vulnerability. It is not always clear how they derive their own accountability, but is very clear that they are taking on crucial issues from human rights, to corruption, to movements against the building of large donors and those against the use of landmines -- to mention just a few. Identifying these organizations, understanding how they operate, supporting their activities and assessing their impact is an important and exciting opportunity before us.

Finally, the problem. Support for groups in the United States and overseas that make up the infrastructure of civil society and its philanthropic slice has never been lavish. My very rough guess is that it includes less than two dozen generic funders and probably less than \$200 million a year, with no more than 15-20% going overseas. It is probably true that the infrastructure, at least in the United States, grew without much concern about duplication or sustainability during the 80s and 90s. But now resources have dropped significantly and a few large generic donors have left the field. We are in a shake-out period where a number of infrastructure organizations will cease to exist, many more will have to downsize, and some will have to either merge or build cost-saving strategic alliances.

I hope that in this period of consolidation, we will have the foresight to preserve the crucial elements of the infrastructure we have all come to rely on.

I know that I have skimmed many topics in the past half-hour and hope we can pick up and flesh out some of the points during the question and answer period.

Thank you.