



SOCIAL FUNDS

INNOVATIONS NOTES

Community Foundations – The Relevance for Social Funds in Urban Areas: The Tanzania Social Action Fund Experience

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This dissemination note captures early experience with community foundations supported by social funds, with a look in particular at the Tanzania Social Action Fund (TASAF). Social funds are agencies or programs that provide financing in the form of community grants for small-scale development investments that are identified, prepared, and implemented by local actors. Two key challenges are sustainability of community investments and reaching urban areas in a time of increasing urbanization.

In expanding its work into Tanzania's urban centers, the TASAF introduced and tested community foundations as a development intervention for urban community-driven development. Community foundations are local philanthropic institutions that seek to provide a mechanism for local resource mobilization and to develop capacity among community-based organizations. They are also valuable in assisting local development, strengthening resourcefulness and capacity, attracting new resources, and cultivating philanthropy from local donors.

THE SUSTAINABILITY CHALLENGE OF SOCIAL FUNDS IN URBAN AREAS

Social funds face a common challenge of sustaining the community capacities that are built and investments that are supported beyond the relatively short lifespan of external funding. For long-term sustainability, external funding needs to be replaced by a steady flow of domestic revenue.

The Tanzania Social Action Fund (TASAF) was established in 2000. Its first phase—from 2000 to 2004—covered rural areas in 40 districts and two islands in Zanzibar. TASAF-II has scaled up the program to all districts and runs from 2005 to 2009. The project development objective is to empower communities so that they can identify, implement, and monitor subprojects that contribute to improved livelihoods.

Targeted beneficiaries of the project are communities with poor access to basic social and market services, food-insecure households, and vulnerable individuals. In addition, the project supports mobilization and capac-

ity building in group savings. Through TASAF, community assets are created, incomes are generated, and skills are transferred and enhanced. Additional benefits include enhanced downward accountability, social cohesion, and trust. Implementation of TASAF is decentralized and fully mainstreamed into local government authorities.

With rapid urbanization, the need to develop new mechanisms to extend community-driven development (CDD) operations into urban areas is high and growing. A number of factors make it difficult to start and sustain CDD operations in urban areas. These are generally characterized by diverse, heterogeneous, and mobile populations, with a mixture of rich and poor people, educated and non-educated individuals, and big and small businesses. Political activism (with varying ideologies) is also high.

These characteristics of urban areas present challenges in mobilizing people and convening meetings to discuss social issues, identifying areas of common interest, and reaching consensus on where support should go and how it should be delivered and maintained. A major challenge

for TASAF has thus been how to support financially and operationally sustainable initiatives in these urban areas, where social and economic issues are complex and where communities often have lower levels of social capital.

MOTIVATION FOR ADOPTING A COMMUNITY FOUNDATION APPROACH

The Community foundation (CF) approach offers a number of advantages for urban work. Community foundations are independent organizations that provide grants to support a variety of projects identified and implemented by local residents. A CF does not replace the scale of resources and national reach achieved by social funds. But it can provide a partial answer to the sustainability challenge in some large and medium-size urban areas, where it can mobilize local resources and sustain social dynamism and participation in broad areas of development work.

CFs are formed as partnerships between local civil society organizations, the business community, and governmental bodies and are independently registered. This provides opportunities for building closer ties among these sectors based on the authentic partnership model. Diversity of donors is a crucial element of a CF's stability and sustainability. A portion of the funds raised may be allocated to an endowment fund, which gradually becomes the second pillar of a CF's financial sustainability. Community foundations are distinguished from other forms of local development organizations by six characteristics. (See Box 1.)

The CF Governing Board decides on the type of projects to support, which varies according to local needs. CFs have a limited funding base, anchored primarily in donations from local individuals, businesses, and sometimes government sources. The average size of CF grants typically ranges from a few hundred dollars to a few thousand. This is understandable due to their more limited domestic funding base. CF grantmaking is typically competitive and driven by project proposals from local groups or individuals. Proposals are evaluated by the CF Board or grant committee. Some CFs allocate part of their budget specifically for educational, health, youth, environmental, cultural, or other fields identified as a local priority.

The dependence of CFs on local contributions also means that their work is under strict local scrutiny and is expected to be transparent. A policy on conflict of interest and a Board and staff committed to implementation are other fundamental prerequisites for the success of community foundations.

The formation of Community Foundations under TASAF is expected to allow several key improvements:

- *Capacity utilization and enhancement:* TASAF has built significant capacity within communities in project management, accounting, procurement, and participatory monitoring. CFs are an avenue for ensuring long-term use of such capacity and the maintenance of initiatives.
- *Improved governance:* CFs play an important role in facilitating improved local governance through participation, promoting policies on conflict of interest, transparency, and oversight of development interven-

Box 1: Defining Characteristics of a Community Foundation

- CFs act as grant-making foundations supporting development projects.
- They have a broadly defined mission (for example, to improve quality of life in a community).
- They serve geographically defined urban communities—a city, district, or province.
- They are supported by a broad range of private as well as public donors and seek philanthropic contributions primarily from inside the community.
- They are governed by multisectoral local boards reflecting the community.
- CFs build capital endowment, which is an important element of sustainability.

tions by civil society as well as the private and public sectors.

- *Tapping extra resources for poor communities:* Demand for resources by poor communities far exceeds support channelled through TASAF. CFs are instrumental in mobilizing and leveraging additional funds from a variety of sources and in building endowment funds.
- *Community empowerment:* The overriding objective of TASAF is the empowerment of communities. Community foundations achieve this by providing people with transparent, fair, and simple access to funds and other lasting resources.
- *Building local aid absorption capacity:* Properly developed CFs have in place all the systems needed for entering into direct funding relationships with external donors that may want to support projects in areas served by the CF but that lack local knowledge and capacity.

INTRODUCING COMMUNITY FOUNDATIONS IN TANZANIA

TASAF introduced the concept of Community Foundations to urban communities in Tanzania by organizing stakeholders' consultations and CF sensitization workshops. The first round of workshops was conducted between December 2006 and May 2007 in Kinondoni Municipality (some 1.3 million inhabitants), Mwanza City (378,000 inhabitants), Morogoro Municipality (228,000 inhabitants) and Arusha Municipality (282,000 inhabitants). These areas were selected for their availability of local wealth, their vibrant economic activities, and the numerous businesses in the municipalities, including commercial banks, mining, breweries, hotels, and cellular phone companies. Skilled individuals able to govern and manage complex CFs and the readiness and commitment of municipal and city councils to support the initiative were other critical considerations. These four areas are representative of urban centers in Tanzania and will be important for the replication of the community foundations initiatives.

TASAF's Management Unit played several critical roles in early CF promotion and formation:

- It helped select pilot urban centers with the highest potential for success of an eventual community foundation.
- It identified and convened leaders who communities trusted from the public sector, private sector, and civil society, including academia. During the sensitization workshops, the CF concept was introduced and stakeholders discussed the pros and cons of establishing a CF in their community. After extensive debate, four pilot communities endorsed the idea of establishing CFs, and Steering Committees were elected to manage preparatory work. To guide the work of these committees, the terms of reference and deadlines for delivery were set and approved.
- It facilitated CF sensitization workshops in such a way that participants would not feel pushed to do something they did not desire. The Management Unit, for instance, repeatedly stressed that the TASAF or the World Bank would not put any cash into any CF that might come out of the process. This was critical so as not to provide wrong incentives for community leaders to join and in order to avoid false expectations.

Once the Steering Committees were formed, TASAF continued to provide technical support, which included sample documents such as bylaws, policies, and budgets as well as facilitation of critical links to community foundations practitioners in other countries.

DEVELOPMENT OF THE FIRST COMMUNITY FOUNDATIONS IN TANZANIA

Kinondoni Municipality, one of three municipalities in Dar Es Salaam, launched the Kinondoni Community Foundation (KCF) in April 2007, about five months after the CF sensitization workshop. During the launching event stakeholders discussed and endorsed the KCF draft Trust Deed and other key policy documents and endorsed the

14 members of the founding Board of Trustees proposed by the Steering Committee. The initial KCF Board includes three Members of Parliament, four representatives from local government, and seven members of civil society and the business community. The launch was leveraged as an opportunity to raise funds and pledges from stakeholders that totaled over \$33,000. The identification of priority focus areas is under way, with malaria, cholera, and fistula interventions set as the first priorities.

In Arusha, a Community Foundation Steering Committee was established in May 2007. Within six months the Committee met 20 times and prepared the CF constitution, conflict of interest policy, transparency and grant-making policies, fundraising strategy (with a list of potential local contributors), and business plan. These documents as well as the Board were confirmed at a stakeholders meeting and launching of the Arusha Municipal Community Foundation in early December 2007. At the launch, \$19,500 was raised from 51 local individuals and corporate contributors. The field of education was identified by the Board as the most likely initial focus area for CF grants.

LESSONS LEARNED SO FAR FROM COMMUNITY FOUNDATIONS IN URBAN TANZANIA

- The leaders of selected pilot urban communities considered CFs as an opportunity for mobilization of additional resources to address development

challenges. This would fill in the financing gap, as TASAF is not able to finance all requests made by communities.

- Communities in municipalities and cities welcome CFs since they have no limited lifetime, unlike TASAF, which is a project. Sustainability is thus guaranteed, especially given the prospect of building a permanent endowment fund. This feature makes community foundations especially attractive to strategic leaders concerned about sustainability of project financing.
- Full local ownership and independence of a community foundation is a must for a successful start. TASAF succeeded in fostering this because it understood its role as facilitator, not owner, of the process.
- It is very important—and not easy—to resist the temptation to get involved in a larger number of CFs prior to achieving progress in selected pilots. As soon as the information about the community foundation work spread around Tanzania, a number of urban centers requested assistance in starting their own foundations.
- Once the first CFs were launched, a powerful catalyst to their development involved exposing the Board members to CF experiences abroad. This was possible with the support of the Global Fund for Community Foundations (www.wings-globalfund.org).

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