

## **Report from the 2005 BAPF Strategy Retreat Lithuania, September 17-19, 2005**

In the autumn of 2005, BAPF board and staff, BAPP program officers and local expert council members, and key partners and grantees from each of the three Baltic countries came together for BAPF's sixth annual strategy retreat. After almost seven full years of grantmaking, our goal for this retreat was to gain a better collective understanding of where things stand regarding one of BAPF's primary objectives from the outset – to contribute significantly to the financial sustainability of the nonprofit sector by the time we complete our work in 2008-9. In order to bring a regional perspective to the question of how to encourage the further development of indigenous resources for civil society and the nonprofit sector in the Baltics, we invited two colleagues from Slovakia and Russia to share their views and participate in the discussion. Their presentations and those of our Baltic colleagues are summarized below, as are key points from the ensuing discussions among all participants. We welcome any comments or questions that readers may have.

### Session 1: Funding Sources for the Nonprofit Sector – Current Environment and Future Trends

The goal of this session was to provide a general picture of resource mobilization prospects for the nonprofit sector in the three countries. Katrin Enno, program officer of BAPP-Estonia, reported on the Estonian experience to date in developing mechanisms for state funding of the third sector. Ugis Rotbergs, executive director of World Wildlife Fund-Latvia (a BAPP-Latvia grantee), provided an individual NGO perspective on funding sources, opportunities and constraints in Latvia, including access to outside sources of funding. Vaidotas Ilgius of the Vilnius Social Support Center (and former executive director of the Vilnius NGO Information and Support Center) discussed NGO/local government funding issues, as well as philanthropy development and financial sustainability prospects for the sector in Lithuania.

One common theme of note was that, while funding sources certainly can and should be increased, there are in fact already considerable resources out there for NGOs to access, from both government and the corporate sector. The challenge, in the case of government funding, is to improve the mechanisms for channeling these resources, so that it is a transparent and accountable process. When it comes to corporate funding, the particularly critical issue is that NGOs, with some limited exceptions, do not have the vision, capacity, and skills to tap into these resources – to speak in a language that business understands, to explore longer-term partnerships with the corporate sector, to demonstrate appropriate financial management skills, to show the tangible results/impact of the work they are doing, etc.

Another issue discussed by the group was the question of foreign funding, including EU and Norwegian money<sup>1</sup> channeled through national governments. Such sources should be utilized to the extent possible, but it was noted by several participants that this should not be allowed to distract the nonprofit sector from the more difficult task of cultivating domestic sources of funding for its work. At the same time, it should be recognized that different sources of funding will be feasible and appropriate for different types of NGOs, and in different proportions. For human rights and advocacy NGOs, foreign funding may indeed continue to be an important source, whereas social service oriented groups will likely have more success in tapping domestic resources. Having a diverse funding base is critical to the sustainability of all NGOs, from advocacy to social service, to hybrids of both (which is a prevalent trend in the region).

## Session II: Examining Institutional Models for Indigenous Support of Civil Society

Lenka Surotchak of the Pontis Foundation in Slovakia, Maria Chertok of Charities Aid Foundation-Russia, and Artur Taevere of the Estonian Charities Foundation presented relevant aspects of their work developing philanthropy in each country, a summary of which follows:

### **Slovakia/Pontis Foundation**

The Pontis Foundation focused on the corporate sector when it went through the process of indigenization (from the U.S. based Foundation for Civil Society). Its outreach to the business sector centered on the concept of corporate social responsibility and partnership with the nonprofit sector. The Foundation offered its grantmaking expertise and reputation to the business community via the establishment of donor-advised funds. Of particular note was their effort to bring tougher issues to business forums, such as human rights and watchdog activities. In the end, a watchdog fund was created, with funding from the business community channeled via the Pontis Foundation. This approach has been successful and attractive to all parties: a larger pool of donors from the business community can be attracted to the work of advocacy groups without danger of being pointed out for their support of particular activities, and the advocacy groups themselves are able to operate more independently.

Lenka Surotchak conveyed three lessons learned from the Pontis experience:

1. **“Make it real for NGOs.”** A grantmaking and philanthropy development institution such as theirs should not to play a protective, parental role in relation to the NGO community, at a time when the sector has entered (or should enter) into a more “mature” phase. NGOs should understand that there is a market, and competition, and particularly when it comes to corporate giving, they must demonstrate their effectiveness. A focus should be placed on leadership and governance, training, and utilization of experience from other sectors.

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<sup>1</sup>The Norwegian Mechanism and European Economic Area Mechanism ([www.eeagrants.org](http://www.eeagrants.org)) will make funding available to the Baltics and other new EU member states for social and economic adjustment purposes during the period 2005-2009. Discussions have been underway in the three countries, as in the region generally, about allocating a portion of this funding toward an “NGO Fund.”

2. **Financial management skills are critical.** To inspire NGOs to think beyond grants, Pontis created a loan fund with an interest rate of 9.9% charged. This was done to demonstrate to business that NGOs are capable of repaying the loans. Most are bridge loans, which are particularly helpful to NGOs encountering delays in receipt of EU funds for projects, and some are for income-generating activities. Extensive consultancy in business planning is also provided to NGOs that received loans from this fund.
3. **Speak to corporations in a language they understand.** Outreach to the corporate sector should be done via concise presentations, in business settings, and utilizing successful examples from abroad, including the Slovak experience.

### **Russia/Charities Aid Foundation**

The Charities Aid Foundation–Russia approach focused, from the beginning, on two directions – philanthropy development and provision of philanthropy-related services. In the area of community foundation development, CAF-Russia first promoted the idea, and then encouraged a self-organized network of community foundations that now offer each other peer support. CAF provides challenge grants to the CFs (with Mott Foundation funding) for their core and administrative costs, but with rigorous conditions for the match (only local funding is counted, not foreign foundation money). CAF also promotes the CF model at the national level, and in particular, brought it to the business sector, which finds it an attractive way of establishing a local presence in particular communities.

One way that CAF-Russia has bridged services and philanthropy development is to provide assistance in the development of private foundations, by building private donors’ grantmaking capacity, offering legal advice, and in some cases, running private foundations’ giving programs. Another approach has been to develop payroll giving as a product. CAF-Russia operates a payroll giving program as a fee-based service for certain companies, through which employees of those companies can make donations to selected NGOs (that have been vetted by CAF-Russia) via direct salary deductions.

### **Estonian Charities Foundation**

A defining characteristic of the Estonian Charities Foundation model for the development of philanthropy and nonprofit sector capacity is the engagement of professional volunteers from the corporate sector. One example is a program known as “Deskmates,” in which business executives and nonprofit leaders are paired for mutual learning and awareness raising. In addition, the Foundation has incubated several projects which it believes can have a social impact, and where professional assistance and involvement from the corporate sector has been key. A recycling center was set up with the Foundation’s assistance, where goods can be donated, and proceeds from their sale are used to support environmental programs and income-generating activities (such as the production of handmade toys). Legal advice, media relations support, and assistance with business plan preparation were all offered on a pro bono basis by professionals in these fields.

As a result of these successful efforts, the Estonian Charities Foundation is evolving toward a “venture philanthropy” model, in which a small portfolio of organizations with projects that demonstrate social impact will be supported and developed further.

In the discussion that followed, there were some questions regarding the degree to which individual giving has received attention. The consensus appeared to be that this is still an area under development. Community foundations are well-positioned to attract individual donors, but other efforts, such as solicitations via mail, are labor-intensive and expensive, and do not usually yield much in the way of actual donations. There are, however, some successful examples, such as the Latvian website “Ziedot” (“Donate”), through which about \$100,000 was donated to individual NGOs in the past year. In addition, the Czech Republic has had some success with donations via cell phone text messaging to a select list of NGOs (coordinated by the Czech Donors’ Forum).

### Session Three: Indigenous Funding, Advocacy Work and Independence Issues

The purpose of this session was to explore possible responses to the limited prospects for indigenous funding of NGO advocacy activities in the near and long term. Two issues framed the discussion of advocacy work and funding sources in the Baltics:

- Advocacy is sometimes conflated with the watchdog function of some NGOs, but it is of course a broader concept, encompassing a variety of approaches to influencing policy and societal discourse by the nonprofit sector;
- When discussing funding for advocacy work in Central and Eastern Europe, one must think about the role of membership. In the U.S., advocacy organizations (e.g. ACLU) are kept alive through membership contributions, and derive their legitimacy from the fact that they have an active and contributing constituency. Legitimacy is in fact still elusive for advocacy NGOs in the region (and perhaps for the third sector as a whole), and must be strengthened.

In the ensuing discussion, it was noted that, by supporting umbrella organizations and networks that represent a sectoral interest, one can address the question of legitimacy, as well as facilitate the pooling of resources for effective advocacy work. These networks should not, however, be artificially created or money-driven, as is sometimes the case in the EU context.

Despite the problematic issues raised by accepting state funding for advocacy work, it is acknowledged as a reality in the Baltics that the largest potential sources of support will likely come from agencies with some sort of relationship to government. Therefore, new mechanisms or institutions for channeling these funds must be developed that maximize the ability of advocacy groups to remain independent in their activities and thinking. In the three countries, it is not viewed as an inherent impossibility to do so.

As discussed during Session I, NGOs in this region rarely fit neatly into the categories of “advocacy” or “service provision.” They are often doing both, and in this context, should have a diversified funding base. Whatever they may call themselves, NGOs engaged in advocacy should examine all available sources of funding, as long as they do not compromise irreparably the mission of the organization.

An interesting effort has been initiated by three advocacy groups in Lithuania – Transparency International, the Human Rights Monitoring Institute, and the Civil Society Institute – to build a joint endowment. It would be a separate institution that would engage in fundraising, while the three organizations would focus upon their mission-driven work. This type of model is somewhat analogous to the Slovak watchdog fund described by Lenka Surotchak, and similarly, could enhance the ability of such advocacy groups to tap into private sector and government resources without jeopardizing independence.

#### Session IV: Reflections/Wrap-Up

Common themes heard in the course of the day’s discussions included the following:

- The concept of an independent endowment with government funding is viewed as attractive and feasible by all three countries;
- We are not necessarily talking at this juncture about a lack of funding for the nonprofit sector, but rather, limited means for getting the money;
- As a related point, the third sector capacity to access resources, particularly from the private sector, needs to be strengthened.

Various efforts to increase the sources of and access to funding for the NGO sector in the three countries were described. The sector needs to be made “investment ready,” and it is not likely that this process will be completed in full by the end of BAPF’s ten years. Significant progress should be made, however, and there are initial concepts in all three countries of new institutions/mechanisms that would continue to provide support to the third sector after BAPF is gone. In Estonia, this includes the previously mentioned government endowment as well as the Estonian Charities Foundation efforts; in Lithuania, it is a new, independent grantmaking institution that may also engage in philanthropy development and promotion (similar to the CAF-Russia model), and in Latvia, it is a venture philanthropy-type institution that would provide financial support and technical assistance for capacity building purposes to a select number of NGOs with the potential to carry out socially innovative projects with a wide impact.

#### Session V: Final Session on Post 2008 Plans

Building upon the discussions of the previous day’s wrap up session, this final dialogue among BAPF and BAPP participants focused upon what may be needed to make the transition to the post-BAPF environment, which will focus less on serving grantseekers,

and more on assisting grantmakers, as was described by our Russian, Slovak, and Estonian colleagues during Session II. It is clear that tremendous advancements have been made in terms of creating a legal framework, public understanding, and institution building in all three countries. Tapping private sector resources and developing individual giving are two primary areas where further work is needed.

While there are common aspects to BAPP expectations in this final phase of work and post-2008, it is important to emphasize that each country has an individual vision, and these differences should be supported, at the same time that collaboration, cooperation and experience-sharing among the three countries should continue to be encouraged when relevant and desired.

It is unlikely that the BAPPs will leave in each country one successor institution to promote and support civil society, and develop philanthropy. Rather, they want to help strengthen existing institutions and mechanisms that have the potential to play a long-term role in these areas. At the same time, the creation of a new institution or approach is indeed being contemplated in the case of Latvia and Lithuania. In Lithuania it is the intermediary philanthropy development and grantmaking institution described previously. In Latvia, it is a very initial concept of a “venture philanthropy fund,” which would involve pooled resources from a variety of sources, and employ a range of mechanisms and financial tools, such as micro-loans, to support the work of the third sector. Mentorship and closer involvement of the business community would be a key aspect as well. This concept will be developed further in the coming months, drawing upon relevant models and networks in Europe and the U.S.

In general, it was agreed that this final, and in some ways, new, phase of BAPP’s work can be assisted by feeding into existing networks and participating in conferences and other learning opportunities focused on innovations in the areas of nonprofit sector and philanthropy development. At the same time, we believe that the accumulated experience of the past seven years of grantmaking in the Baltics will itself help to inform our thinking regarding the final phase of BAPP’s work. We also hope that our experience, as partially reflected in this report, will also be of use to others in the region who are grappling with similar issues.