

# Mexico Community Foundations: A Comprehensive Profile

## Report Summary

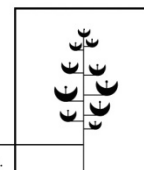
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**TEAMWORKS**

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## Preface

Community foundations began emerging as philanthropic institutions in Mexico less than two decades ago. As Mexican civil society flourished, many leaders with strategic vision realized that institutions needed to be created in order to effectively gather and channel local resources to various social development initiatives. In this, they were guided by a conviction that, in most cases, local-level institutions can be more responsive to community needs than ones from beyond the community, particularly over the long term.

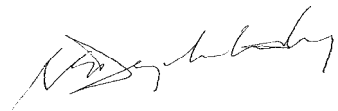
Early in 2008, the C. S. Mott Foundation, Ford Foundation, the Inter-American Foundation, and the Global Fund for Community Foundations joined together to commission a broad study of the state of community foundations in Mexico. Our objective was to establish a current overview of Mexican community foundations, describing their main characteristics as well as the support system for their development. We intentionally chose to fund a study rather than an evaluation. The goal for the study was for it to be informational, constructive, and forward-looking rather than retrospective and judgmental. The views and/or opinions expressed in this report represent those of the authors, and statements made herein do not necessarily reflect the views or policies of the organizations that provided funding for this study.

The team that prepared this report combined both Mexican and international expertise in community foundations. This allowed the study to better place the Mexican experience within the context of the rapidly growing and evolving worldwide community foundation movement. We are grateful to them for their hard work, as well as for the generous participation of staff and board members of Mexican community foundations and various other experts.

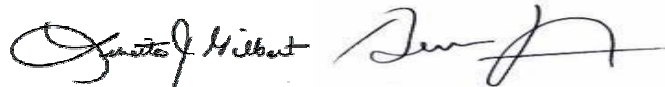
We recommend this report to all stakeholders interested in the further development of community foundations, philanthropy, and civil society in Mexico. The findings show that the community foundations are seeking to strengthen civil society organizations, foster sustainability through economic development in hard to reach rural areas, and are addressing a range of education needs, particularly for young people, to provide opportunities for their future. Crucially, they are playing diverse bridging roles bringing together nonprofits, business, and government essential for sharing knowledge and for potentially improving the use of resources.

While several funders have supported this work over time, some may not continue, but we anticipate others, both Mexican and U.S.-based donors, will become engaged. It is also our hope that this study will be beneficial to those engaged in community foundation development around the globe that are dealing with many of the same issues that face Mexican community foundations.

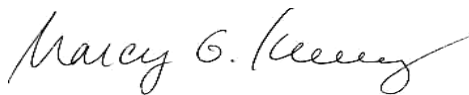
The ensuing comprehensive summary lifts out the major findings of the study. A freely downloadable PDF file of the full report (as well as this summary) is available in both Spanish and English at [www.sfteamworks.com](http://www.sfteamworks.com) and at [www.alternativasociales.org](http://www.alternativasociales.org). The latter site also includes a database of the various financial and operating characteristics over the time period 2005-2007 of the 21 community foundations that participated in the study.



Nick Deychakiwsky  
C. S. Mott Foundation



Linetta Gilbert and Mario Bronfman  
Ford Foundation



Marcy Kelley  
Inter-American Foundation



Vadim Samorodov  
Global Fund for Community Foundations



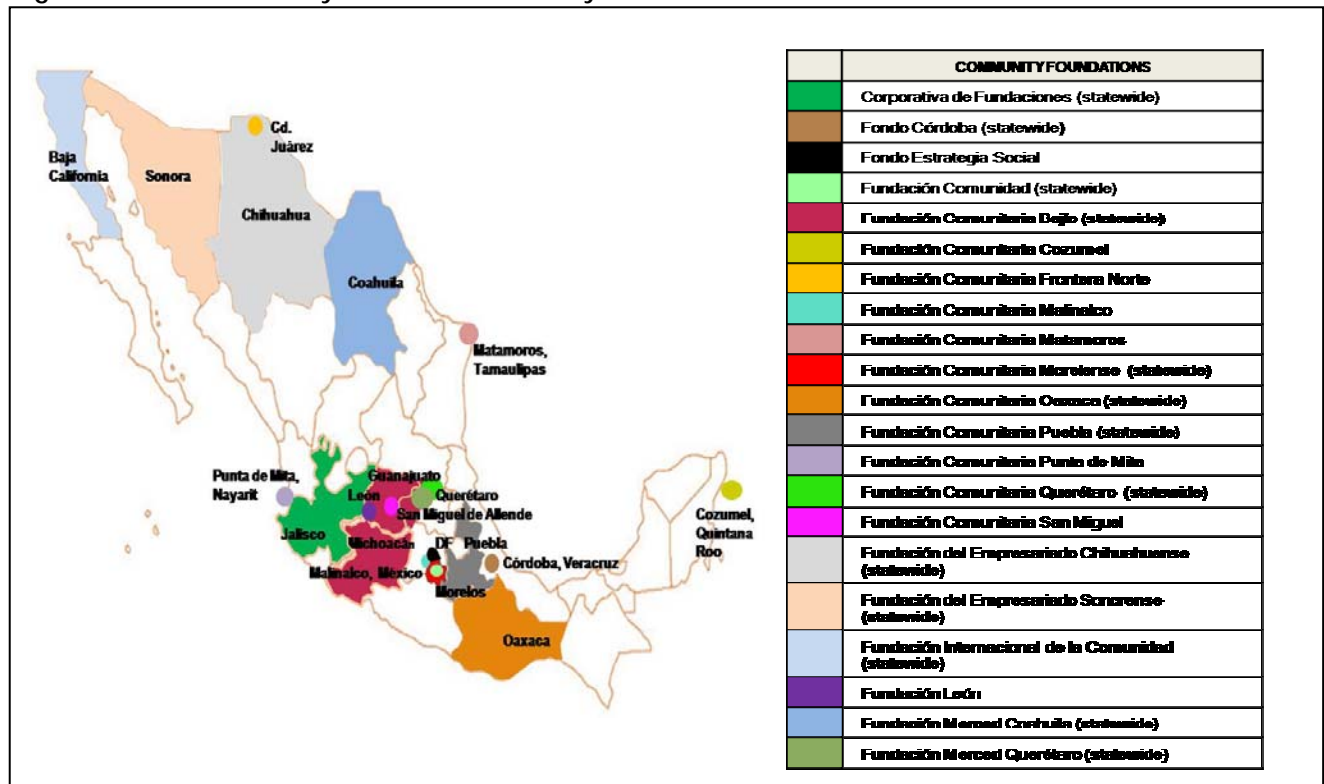
### Report Summary

Mexico is Latin America’s leader in the development of community foundations (CFs), institutions that join activists from the grassroots and nonprofit communities with business people, educators, and other civic-minded citizens to strengthen civil society, encourage local philanthropy, build bridges across public and private sectors, and address critical community needs. This summary provides highlights of the first comprehensive study of Mexico’s CFs, the purpose of which was to provide a detailed picture of their organizational, financial, and programmatic characteristics, ascertain how they meet their own institutional development needs, and identify the obstacles the CFs face in fulfilling their goals. Extensive data was made available by the CFs for a period covering 2005 through 2007. This summary provides a snapshot of key findings and recommendations.

Worldwide there are an estimated 1,500 CFs and Mexico is one of the newest frontiers. Most Mexican CFs are young and comparatively small, though there are some that date back to the early 1990s and there are a few that could be considered large. Despite their youth and the difficult environment they face for institutional development, the study’s findings offer evidence that they have made notable strides creating a new type of bridging and transparent organization, and are opening avenues for community philanthropy, cultivating civic leadership, and joining hands to meet local needs.

The project defined a CF as a nonprofit organization that focuses its work in a specific geographic area, serves the diverse needs of its community, works toward generating a broad range of local resources, is or clearly is seeking to become a grantmaker, and is striving for permanence. A total of 21 CFs participated in the study and generously provided extensive information about their organizations. Figure 1 lists the CFs and shows the areas in which they target their work.

Figure 1. Area Covered by Mexican Community Foundations



The foundations were organized into three groups based on their breadth and depth of experience. In total, 17 of the 21 CFs participated in an electronic survey, 14 submitted financial data, and a total of 34 interviews of board and staff were conducted covering 15 foundations. In addition, 11 interviews were done with experts in the topics of community foundations, philanthropy and civil society in Mexico.

Below we first endeavor to orient the reader by providing an overview of Mexico's socio-political context, which is then followed by a discussion of key findings and recommendations. This study was commissioned by the Charles Stewart Mott Foundation, the Ford Foundation, the Inter-American Foundation (IAF), and the Global Fund for Community Foundations. It was conducted by a bi-national team, the U.S.-based consulting firm, Teamworks, and a Mexican capacity building organization, Alternativas y Capacidades.

### The Mexican Context

In Mexico, there has always been an underlying culture of solidarity and generosity that expresses itself through personal philanthropy. Mexicans prefer to give directly to individuals and to volunteer through churches and religious groups. In general, Mexican citizens place little trust in most types of organizations. Historically, society and business have not felt compelled to organize and invest their own time and money for advancing the common good. Government and the church have been the main actors assumed responsible for meeting the social needs of the population.

#### Mexico Statistics

- Population (2005): 103 million
- Poverty (2005): 47% (18% live in extreme poverty)
- Concentration of wealth (2007): 40% of total income is held by 10% of the population

The civil sector is very small with only 5,280 nonprofit organizations incorporated that have tax-exempt status (*donataria autorizada*) as of 2007.<sup>1</sup> The donor sector is especially small for a populous nation where there is considerable wealth, albeit in the hands of relatively few. In 2002 it was estimated that there are only 125 donor institutions.<sup>2</sup> Nevertheless, there is great diversity in terms of legal frameworks for nonprofits and funding mechanisms, as well as strong divisions regarding ideological values, political culture and focus. Essential to acknowledge is the presence of many informal organizations, for which estimates exceed 20,000 but the true scale is unknown.

Civil sector organizations (CSOs) of all types have started to access public resources at the federal level, through calls for proposals and similar procedures that depoliticize the process. But, federal funding programs are fragile, depend upon the political will of public servants, and often have inflexible regulations that frustrate accomplishing goals. Politically, there is a lack of support for CSOs and appreciation of philanthropy as exemplified in 2007 by the Calderón administration's proposal to introduce a flat income tax that would not have allowed tax-deductible donations by nonprofits and would have taxed their goods and services.<sup>3</sup> Though ultimately rejected, the public debate surfaced a lack of knowledge about philanthropic institutions and CSOs, as well as deeply rooted suspicions about donations, seen by some as a means of tax evasion or for buying favors.

<sup>1</sup> Information based on the *Directorio de Donatarias Autorizadas* published by the *Servicio de Administración Tributaria* (SAT) in 2007.

<sup>2</sup> See *Directorio de fundaciones y entidades donantes en México* (Cemefi, 2006), p. 127.

<sup>3</sup> The law that was passed continues to allow for tax deductibility (and goods and services will not be taxed). Also, tax deductibility for nonprofits that have tax-exempt status is ensured in the federal income tax law, which co-exists with the flat income tax.

The laws, rules and practices that regulate the civil sector in Mexico are extremely complex, with both duplication and loopholes present that create obstacles and costly paperwork for CSOs. Tax deductibility does not recognize the full range of activities carried out by civil society, and nonprofits still have to pay value-added tax (the equivalent of sales tax in the U.S.) on any goods and services they purchase. Maintaining the tax-exempt status requires that organizations carry out a costly annual external audit, and establishes that only 5% of donations received can be used for administrative expenses. Also, there is a general lack of knowledge and expertise on the part of accountants and attorneys in the workings of the nonprofit sector. There are no adequate standards for reporting financial information, which makes it difficult for organizations to demonstrate transparency and impact. New legislation — which in some cases contradicts pre-existing regulations— requires organizations to be accountable to different government entities and has thus increased the costs of fulfilling their legal and fiscal obligations.

### Emergence of Community Foundations

Against this complex backdrop, CFs have begun to take root in Mexico. They are committed to carrying out a needed set of roles as bridge builders, conveners, promoters of philanthropy, and capacity builders for the civil sector. Similar to the evolution in other countries, each of Mexico's CFs has its own unique origin and did not necessarily identify initially as such, in part because the concept was not known within Mexico during the early years of development. The first entities were Fondo Córdoba (1986), Fundación del Empresariado Chihuahuense (FECHAC, 1990), and Fundación Cozumel (1991), which were formed by civic-minded business people to address critical needs in their communities, with Córdoba and Cozumel focusing on improving educational opportunities and FECHAC on rebuilding infrastructure after devastating floods.

Mexico's first major meeting on CFs, with the stated purpose of introducing the concept, was held in 1993 and organized by the *Centro Mexicano para la Filantropía* (Cemefi). Cemefi is a national nonprofit organization with a diverse membership of foundations, associations, individuals, and businesses and has a mission of promoting the culture of philanthropy, social responsibility, and the participation of the civil sector. There was a rapid growth of community foundations in the late 1990s, catalyzed, in part by a set of international funders with interests in promoting the development and professionalization of community foundations. Key among them were the Mott Foundation and IAF. In 2002, the U.S.-Mexico Border Philanthropy Partnership (BPP) was launched, an initiative sparked by the Ford Foundation to address quality of life issues for low income families and communities along the border, through strengthening community foundations on both sides of the border. The Synergos Institute, a U.S.-based nonprofit that has international experience in growing philanthropy, worked closely both with Cemefi and the BPP in the effort to advance the capacities of CFs.

The identity of Mexican CFs still is evolving and there is no formal legal category for them as foundations. CFs view themselves as intermediary organizations (*organizaciones de segundo piso*) that in the case of Mexico, either directly operate projects and/or award grants to organizations. The role of intermediary organizations can seem superfluous in a context where people are accustomed to carrying out philanthropy by giving directly to the needy. Consequently, it is very difficult for CFs to fundraise. Other issues still under debate have to do with board expectations in regard to composition and roles, as is often characteristic of developing sectors. Placed in a broader context, though Mexico like other nations has its unique issues, it is not uncommon for a developing CF sector to encounter environmental challenges and lively debate over the foundations' fundamental characteristics.

Mexico's CFs:  
A New Frontier in Latin America

- CFs are growing local philanthropy. In 2007, domestic private donations accounted for 85% of funds raised.
- The total assets of the 14 reporting foundations are over \$336.3 million pesos.
- CFs, while building their own capacities, have dedicated themselves to assisting CSOs to become more professional.
- All of the CFs in the survey group are doing grantmaking.
- Grantmaking budgets are very modest.
- CFs are young, with 86% under 12 years old.
- CFs are thinly staffed, nearly ½ have fewer than 2 staff or only volunteers.
- CFs are developing working boards with written policies and members involved in fund raising.

### Finding 1. Considerable Progress in Institutional Development

Mexican community foundations have achieved considerable progress in their institutional development, even though the field still is new. This finding provides highlights of CFs' boards, staff, and programs. The data shows that they are mostly young organizations, have small staffs, have developed requisite board structures, and have written governance policies. Nearly all reported that their activities focused on strengthening civil society organizations, including those at the grassroots, while building their own capacities and having grantmaking budgets that are generally quite modest (i.e. below \$1.5 million pesos<sup>4</sup>). Efforts to foster philanthropy are evident in patterns showing increases of total assets and income.

#### *Developing Working Boards*

Most of the foundations (18) participating in the study are under 12 years old. All have incorporated as nonprofits and with the exception of the two most recently established ones, all have tax-exempt status. In general, boards of CSOs in Mexico have a limited role and are not particularly active in regard to overall governance, i.e. carrying out financial oversight, developing policy direction. It is noteworthy that the CFs in this study report evidence of many of the key characteristics of working boards, which include the following:

- written policies for endowments (12), grantmaking procedures (13), evaluation of grants or programs (14), personnel (9) and conflict of interest (8);
- a high level of board participation to promote the foundation in the community (17), take part in financial decisions (14), facilitate relationships with community leaders (15), and approve financial reports and annual budgets (16);
- a high degree of board involvement in fundraising, both through their own donations (16) and through cash, shares, investments, land or buildings (74% in 2007) and in-kind support (33%); additionally, 10 of the 17 foundations participating in the survey have office space donated by board members; and
- almost half of all board members (45%) participated very actively in fundraising activities, while one-fourth (23%) participated more or less actively and one-third (32%) did not participate.

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<sup>4</sup> During the study period, the average exchange rate was around 10.5 pesos per U.S. dollar.

Another important element of working boards is diversity. Several of the CFs were founded by civic-minded business people and their boards continue to have a majority representation of the business sector. A number of CFs have strategically diversified membership to bring differing perspectives and knowledge to the organizations. Overall 66% of members come from the business sector, with the remaining being representatives from CSOs (14%), academia (8%), education (4%) and other sectors (12%). Boards have an important percentage of women (39%), who mostly come from business.

#### *Staff: Challenging Work Conditions*

Key aspects of a professional organization include capable staff and working conditions that foster stability. In Mexico, CFs represent a new kind of organization with different work demands, where staff require skills in the areas of bridge building, fundraising, and grants management for which they seldom receive training or acquire from previous jobs. Most staff are hired through *nómina*, which reflects a commitment by foundations to have more stable staff and invest in better benefits.<sup>5</sup> The majority of participating foundations are small, with well educated executive directors that often bring

#### Challenging Work Conditions

- Total staff of all 17 reporting CFs in study is 136, of which 127 are full-time
- CFs are thinly staffed, nearly ½ have fewer than 2 staff or only volunteers, 59% have fewer than 6 staff
- 81% of full-time staff is hired through *nómina*, reflecting a commitment to stability, however, pay levels appear to be low

considerable experience and seem to remain on their jobs, despite pay levels that appear modest in light of their tasks. Nevertheless, the challenges they face are taking their toll, and they express a feeling of isolation and a desire for more support, in spite of boards that are in many ways supportive.

Consistent with other organizations in the public or private sector, much of the responsibility for the CFs lies on the shoulders of executive directors. The executive director of a community foundation must have multiple skills and talents, which include working well with CSOs, being at ease cultivating potential donors, knowing how to motivate board members and obtain their commitment, and having the vision, as well as the practical skills, to operate the foundation. Executive directors report high educational levels, with four of them holding graduate degrees, and the rest holding bachelor's degrees. Considering the levels of training and expertise of many executive directors and the fact that they carry out unusual and demanding jobs, their remuneration seems low: eight of the 17 CFs participating reported their net monthly salaries at \$20,000 pesos or less, seven between \$20,000 and \$40,000 and two reported salaries over \$40,000 pesos per month.

In general, turnover among executive directors is low, although there are exceptions. Nine of the 17 directors answering the survey have been on the job for more than three years. Executive directors express feelings of isolation, which can be attributed to performing and defining a new professional role in a developing field, having few peers with whom to share similar experiences, and being geographically spread out throughout the country. Beyond the executive directors, staff is often young, with low remuneration levels and few resources to invest in their development. Social service (*servicio social*), a

<sup>5</sup> *Nómina* is a type of employment that includes salary and comparatively broader benefits than other forms of hiring in Mexico, where employees are often hired as independent professionals (*honorarios*), with the main implication that they are personally responsible for paying into their own social security.



federal requirement for obtaining a bachelor's degree, plays a strategic role in bringing people into the sector.<sup>6</sup>

### *CF Program Activities*

There are three overarching themes that characterize the work of the CFs that we studied. They are that CFs seek to strengthen the civil sector, foster a culture of organized philanthropy, and address the needs of vulnerable and low income populations. Nine of the 17 foundations answering the survey focus their work at the state level, one at the municipality level (the city and surrounding countryside), six concentrate on the city where they are located, and one focuses on specific neighborhoods within the city.

The CFs' main areas of interest are youth (12), women (11), families (11), children (10), and health (10). Others frequently noted were the elderly and people with disabilities (7 each), rural development (6), and addictions, environment and nutrition (5 each). Their work embraces both the civil sector's formal organizations and grassroots groups, and they focus on development (*desarrollo*) rather than charitable aid (*asistencialismo*). Below are key findings about the CFs' convening activities, grantmaking and operating program activities, financial status, and efforts to promote visibility.

### Convening to Foster the Civil Sector

CFs use two types of resources to advance their goals. One may be broadly conceived of as reputational, which is using their abilities to promote capacity building, create networks, facilitate bridging across sectors and foster civic-conscious leadership. The other resource is financial and takes the form of making grants and/or operating programs. The information provided here should be viewed within the context that most CFs are still emerging and building their own reputations —and— financial resources for grantmaking or operating programs are generally quite modest. The status of the CFs' progress in growing philanthropy is discussed in the financial part of this summary.

A strong civil society is one of the pillars of building a democracy. One of the most powerful aspects of CF activities is that, while they are still developing their own capacities, they place a priority on providing capacity building services to civil society and grassroots organizations. The CFs' top four activities in 2007 were providing capacity building (100% of the groups responding), promoting voluntarism, promoting networks and shared interest groups, and providing

capacity building services for community or grassroots groups. The number of foundations reporting each of these activities increased during the three year period under study.

#### Developing Networks

Querétaro CF reports playing a central role in the creation and ongoing facilitation of CSOs on statewide capacity building, income generation and human rights networks, with responsibilities that include convening, taking minutes, and conducting follow up. Puebla CF also played a role in creating the Network for Children and Adolescents, and has recently assisted groups in the network by providing workshops (e.g., on fundraising) and with an organizational assessment to determine their strengths and weaknesses.

Using largely their reputation to convene, the CFs have developed four core strategies toward strengthening civil society: 1) promoting and supporting capacity building programs —some administer their

<sup>6</sup> *Servicio social* is a requirement of the federal education ministry. It mandates 480 hours of work without pay or with a small stipend in an organization or institution with a social purpose and in an area related to the field of study.

own programs, others act as conveners for training, still others provide funding to attend training; 2) creating networks among organizations with common interests to promote joint work, research, and advocacy; 3) building bridges across sectors by endeavoring to create neutral, nonpartisan spaces where concerned citizens can participate in fostering good government and promoting social change; and 4) fostering civic-conscious leadership through the engagement of people from different sectors and backgrounds, be it as board members, staff, or grassroots organizations and their program beneficiaries.

### Grantmaking and Operating Programs

All foundations who responded to the survey reported being involved in grantmaking. Almost since their inception, there has been debate around whether CFs in Mexico should concentrate exclusively on grantmaking, or if there is room to consider a “hybrid” model where CFs both operate their own projects and act as grantmakers<sup>7</sup>. The picture we find is that the CFs are already a hybrid.

- All 15 foundations answering the question responded that in 2007 they made grants, passed-through funds (*canalización*) and identified projects for donations carried out by other organizations.
- In general, budgets for grantmaking are quite modest. Nine of the 17 foundations responding had grantmaking budgets of \$1.5 million pesos or less in 2007, while three had grantmaking budgets between \$1.5 and \$5 million pesos, and five over \$5 million pesos.
- An important part of grantmaking is the process, which often models inclusiveness, fairness and transparency, all essential in building the credibility of these institutions and strengthening the culture of philanthropy.

Foundations reported operating programs in community development (7), education (6), health (2) and social services (1).<sup>8</sup> Their activities under this rubric may include overall implementation responsibility, serving as coordinators or facilitators, assisting with fundraising, and otherwise advocating for program success. In most of the cases cited, the CFs obtained funds from foundations such as the Ford Foundation and the Inter-American Foundation to implement activities that include convening, assessing needs, regranteeing, and follow up.

### Financial Characteristics

The following information is based on the analysis of financial statements provided by the CFs, most of which had been audited, and also through data gathered in the electronic survey and from additional surveying. The study surfaced problems associated with the fact that Mexico lacks consistent standards for reporting information from foundations. Philanthropy is a new field for accountants and auditors, who learn much about the accounting needs of CFs from the executive directors and board members of foundations who themselves are learning the same. Highlights are as follows:

- Total assets have grown over the last three years. For the 14 foundations reporting in 2007, the cumulative amount is \$336.3 million pesos, representing a 28% increase from 2005. FECHAC alone accounts for 67% of these assets, while the second largest in assets is San Miguel (10%). In total, 10 foundations have under \$10 million pesos in assets.

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<sup>7</sup> The definition of grantmaking still is evolving in Mexico, with some foundations defining it as a process of applying specific selection criteria to applications solicited for competitive funding. The term, operating programs, describes when a foundation utilizes a portion of its income to administer its own programs. In this role, foundations become a direct service provider and incur expenses for those services.

<sup>8</sup> The term community development encompasses economic development and microfinance projects.

- Total income (including donations received) for CFs reporting in 2007 was \$233.7 million pesos, 41% higher than in 2005. FECHAC accounts for 60% of this income and Corporativa for 10%. Nine foundations reported income of less than \$10 million pesos.
- Total donations (public and private sources) received for the 11 CFs that provided information showed a 45% increase in 2007 relative to 2005. FECHAC accounted for 73% of these donations. Private donations from Mexican sources amounted to \$142.4 million pesos in 2007, representing a 55% increase in relation to 2005. In 2007, FECHAC obtained 77% of all private donations reported.<sup>9</sup> In most cases, private donations have been steadily increasing.
- 11 foundations reported having an endowment, nine of which participated in an endowment building program sponsored by IAF and coordinated by Cemefi. At a combined \$27 million pesos, endowments in 2007 were more than double those in 2005. Cozumel represents 45% of all endowment monies reported.
- Within the group of respondents, the amount of international funding received by CFs has largely remained stable since 2005, ranging from a low of \$12.4 to a high of \$14.6 million pesos. In 2007, three foundations accounted for most of the international donations received: FECHAC, with 47%; Oaxaca, with 29%; and FIC, with 14%.
- Government support in 2007 amounted to \$10.3 million pesos for reporting foundations with 75% of that support from local government, 25% from federal government, and state funding being practically absent.

### Visibility

Gaining visibility is an essential ingredient for CFs' success, given that they are young and are performing a new role in a society where philanthropy is weak, the work of the civil sector is not well known and the role of intermediary organizations even less so. All foundations responding to the survey (17) produce newsletters or reports at least once a year, and six of them produce them either monthly or every four months. Most (15) have websites, and many of these (11) were updated more than twice during 2007. In terms of broadcast media, 10 out of 17 foundations reported radio presence at least once a year, and eight of these reported having it at least four times during the year. Six foundations reported using television, with four of them doing it twice or more times during the year.

Most of the foundations focus on growing their local visibility, commenting that there is little national visibility of their work. Foundations focus their communication efforts mostly on current donors, board members, and other CSOs. Efforts directed at potential donors, government, and the general public is low.

### **Finding 2. Striving to get Developmental Needs Met: A Mixed Picture**

The overall picture of how groups are meeting their developmental needs is mixed. The bright spots are the drive shown by the CFs, board and staff, to generate core operating monies, their commitment to further their institutional development, and their stepping, although gingerly, into the policy arena. Over the past handful of years to a decade Mexico also has seen the emergence of training programs for CSOs and individual trainers and consultants.

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<sup>9</sup> Most of FECHAC's funds come from a surcharge on the state payroll tax and are collected through the state tax system. They are treated as private because the source is businesses in the state that voluntarily agreed to this mechanism in order to promote contributions from the business sector.

### Operating Support is Scarce

Like other CSOs, Mexican CFs have few sources, public or private, from which to obtain funds to cover operations. Attracting such support is challenging, given that CFs are new, unfamiliar organizations in a society that has low overall levels of trust in institutions, and where giving through a third party is rather unusual. Support received from government monies can only cover staff and office-related expenses incurred by a specific project. Those that obtain funding from foundations, corporations and/or individuals are legally limited to utilizing a maximum of 5% of these donations for administrative expenses. Fund development options such as endowment building and donor development require long lead time and are generally not viewed as viable solutions to the immediate demands for funding. Executive directors routinely expressed uneasiness that they have maximized board members' generosity and board members also occasionally shared feelings of donor exhaustion.

### Limited Training Opportunities for CFs

Despite the relative youth of the civil sector, a spectrum of organizations and individuals has emerged to provide training and technical assistance to CSOs. CFs report taking advantage of general programs for CSOs (e.g., in management and legal/fiscal obligations), which are occasionally offered by local universities and conveners. Training designed for CFs has been available through the *Grupo de Fundaciones Comunitarias* (GFC), an affinity group of Cemefi, the Synergos Institute, and the Border Philanthropy Partnership. These CF-specific programs were carried out roughly over the last eight years, and embarked largely on new territory.

As CFs either began or progressed to different stages of development, available training frequently did not fit their diverse needs. For example, the CFs stated that the GFC's skill-related offerings were most valuable during their early stage of development and less so as they matured. There are limited to no materials in Spanish with local context to provide immediacy and relevance, e.g., for program design/grantmaking, donor education and philanthropy promotion. There is a lack of resources available for CF staff/board to attend training programs or to hire technical assistance providers.

Training expertise is mainly concentrated in Mexico City and a few regional centers, like Chihuahua, Guadalajara and Oaxaca, leaving many places to choose from less experienced consultants or trying to find the funds required for paying often prohibitive travel-related costs. There is no formal, ongoing process for systematizing and sharing knowledge among the CFs. Within foundations, staff turnover and low levels of documentation hinder the effectiveness of capacity building and training.

### Modest Involvement in Public Policy

In Mexico, the political context is freighted with recent history where, for government and the elites, civil sector-driven policy change suggests left-wing movements. Yet, within this highly charged context, some Mexican CFs have started to participate in public dialogue about social issues, usually at the behest of government. While minimal action as a group has occurred, the interviews revealed occasions where the CFs have been or are involved in public policy at the state or local levels, taking small and incremental steps in informing local and state dialogue on social issues. This is noteworthy because state and local politics are notoriously partisan and polarized and evidently CFs are attempting to provide safe, nonpartisan spaces for public dialogue to occur.

The advocacy work CFs have carried out has been more reactive than proactive, stimulated by requests for their opinions, policy changes proposed by government, or legislation that could affect them negatively. With a focus on their own survival, it is unrealistic to expect the foundations to devote much time to public

policy advocacy unless it is integrally related to their mission as exemplified in their joining in the fight to allow tax-deductibility under the new flat income tax that took place early in the Calderón administration.

## **Recommendations**

With the goal of building the field in mind, we have organized the study's recommendations in five areas essential to developing a more robust and effective CF sector.

### **1. Building a Sense of Community among Community Foundations**

It is crucial for CFs to come together on a national level to identify common ground in terms of purpose and shared experiences, build relationships and trust among foundations, address differences within the sector, and create their own agenda for the future. With a critical mass of CFs now in place, the time is ripe to foster dialogue among CFs and develop a national identity, building ownership for the concept of CFs and in a hybrid model that both operates programs and awards grants. As an initial step in this direction, it may be useful for CFs to tackle a concrete task, such as working with accountants to establish standards for reporting financial information that can foster the experience of working together on a pressing issue and provide an early collective accomplishment.

### **2. Fostering the Ability to Articulate Impact and Increase Visibility**

Community foundations need to better articulate how their role in the civil sector distinguishes them from other organizations, what their value to society is and to lift their national visibility. Communication efforts that focus both at the individual and sector level could help foundations talk more effectively about impact on their own terms and raise their local and national visibility. At the individual CF level, this might include developing an overall program and grant reporting systems that provide good data and track stories, and establishing their own expectations for performance. At the sector level, CFs could engage in developing their own framework for talking about success, which includes defining what success looks like and identifying performance indicators, and update materials that help them promote their work and the understanding of what they do with different audiences.

### **3. Fostering Professionalization and Institution Building**

In order to build on the early accomplishments of Mexican CFs and to ensure impact and permanence of the sector, ongoing efforts are needed to deepen their level of professionalization and strengthen their institutional capacity. The needs are threefold: 1) identify best practices in capacity building by promoting knowledge management and documentation within foundations and capturing what has and has not worked in the Mexican context; 2) advance professionalization, devising learning strategies that are appropriate for different stages of organizational development, providing consulting grants, fostering opportunities for peer learning and dialogue with experts, incorporating a global perspective of philanthropy, and promoting ongoing staff development and more favorable working conditions; and 3) grow the expertise and reach of capacity builders, especially at the local and regional level, and create documents and manuals utilizing technology to overcome geographical and travel constraints.

### **4. Increasing Resources**

If Mexican CFs are to scale their work and achieve greater impact, they must obtain the support of greater society. To that end, there is a need for growing the donor community through challenge grants; sharing lessons learned in raising operating support; lifting the profile of CFs through local events and enlisting high profile leaders to champion CFs; and promoting sustainability planning.

## 5. Creating a More Favorable Systemic Environment

There is a need for a more favorable fiscal and legal framework that recognizes the value of the civil sector, in general, and the unique role of foundations. On the fiscal front, and in conjunction with raising the visibility of CFs, a strategy is needed to educate policy makers and other key leaders on the need to update and simplify the income tax laws (*Ley del Impuesto sobre la Renta* and *Ley del Impuesto Empresarial de Tasa Única*) to make them consistent with the *Ley de Fomento a las Actividades de las Organizaciones de la Sociedad Civil* (Law to Promote the Activities of CSOs).<sup>10</sup> Also, procedures governing nonprofit organizations, such as obtaining tax exemption and accreditation, need to be simplified and streamlined to encourage compliance. For donor institutions in particular, laws that currently forbid the awarding of grants to organizations that are not tax-exempt (specifically, *donataria autorizada*) need to be relaxed.

From the legal perspective, the civil sector in general would benefit from an effort to work with policy makers and other key leaders to improve the legal framework and how government funds are allocated to nonprofit organizations. In Mexico, a more favorable environment would make reporting more efficient, encourage transparency, streamline the process of registering CSOs at all levels of government, and give nonprofits sufficient time to expend government funds. Also essential to facilitating a more favorable environment is the generation of knowledge about the work and impact of nonprofits as well as a system of standardized reporting. And finally, trained accountants and lawyers who specialize in the civil sector are important to its advancement. An effort to inform their practice through the creation of materials and specialized university curricula would be most beneficial to CFs and nonprofits alike.

In closing, the data shows that Mexico's community foundations have established their organizational structures. They are becoming important promoters of community philanthropy, launching diverse efforts to strengthen civil sector organizations, and are implementing programs focused on social and economic development. While the road traveled at times has been a difficult one, the report provides evidence that there is now infrastructure to build upon.

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<sup>10</sup> The *Impuesto Empresarial de Tasa Única* or IETU is a federal tax paid according to the income obtained by a person or company, regardless of how it was generated (whether through the sale or rent of assets or the provision of independent services). It is supposed to take the place of the income tax (*Impuesto Sobre la Renta*) in a few years. The *Ley de Fomento a las Actividades de las Organizaciones de la Sociedad Civil* is the law passed at the end of 2003 which recognizes the public interest purpose of the work of CSOs and its eligibility for federal funding.