



Commentary by Rip Rapson:

How Philanthropy Can Respond to a New Set of Economic Ground Rules

An open letter to the community discusses characteristics that unify Kresge's work.

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Double-dip recession. European bank meltdown. Erosion of consumer confidence and consumption. Washington gridlock. The state of things is precarious and perilous.

And that doesn't begin to reach the effects of spending cuts on state and local governments, with the cascading effects onto nonprofits. Or the widening disparities of wealth and economic opportunity. Or the cancerous effects of growing numbers of people who are unemployed or have given up looking for jobs. The cumulative impact is almost incomprehensible, calling into question our most basic premises of how services are delivered and making it virtually impossible to predict what the new landscape will look like.

This kind of gloomy, unpredictable, cataclysmic, roller-coaster environment is, whether we like it or not, the context for our grantmaking. On one hand, it should inform and shape everything we do – the sense of urgency, the sweep of change and the magnitude of the challenges demand no less. On the other hand, it should not drive Kresge into the very kind of changeable, topsy-turvy behavior we so abhor in the social, economic and political surround. So what's a foundation to do?

Multiple Approaches; One Goal

Our strategies, outlined on our new website, increasingly seek to protect against the kind of harm that is wrought by economic contraction and policy reconfiguration:

- The [Human Services Program](#) invests in multiservice organizations that open to low-income people

pathways of opportunity to the economic mainstream.

- The [Health Program](#) seeks to reduce low-income health disparities through improved access to community-based primary care and through mitigating the environmental determinants of poor health outcomes.
- The [Environment Program](#) equips communities to mitigate, and adapt to, changes in the climate.
- The [Education Program](#) assists low-income and underrepresented people to enter, and succeed in completing, postsecondary education.
- The [Arts & Culture Program](#) supports arts and cultural activity that promotes community development and civic identity.
- And the [Detroit Program](#) is contributing to the re-imagination and retooling of this essential American city, our hometown, and in doing so, identify strategies of use to other older, industrial communities as well.

These program strategies are, in turn, undergirded by a suite of characteristics that ensure that we keep in clear view the need to buffer, to the fullest extent possible, the social and economic harm that disproportionately falls on low-income people during times of economic disintegration.

Common Characteristics That Braid the Foundation's Programmatic Activities

1. We explicitly seek to improve the bedrock social, cultural, environmental and economic conditions of low-income people.

The strategy focus of each of our program teams can be tied back to this characteristic. That can take the form of improving low-income people's access to community-based health care. Or building the necessary conditions for markets to return to disinvested urban areas like Detroit. Or investing in the organizational strength of human-service providers committed to helping families move out of poverty. Or recognizing that education is the most important driver for opportunity and achievement in our knowledge economy. Or integrating arts and culture into urban revitalization efforts. Or seeking to improve the resilience of vulnerable communities to the adverse environmental impacts of climate change.

2. We recognize that progress in any of our fields of interest is dependent on the interrelationships among multiple fields.

It is impossible to conceive of meaningful community development – in the sense of building the

preconditions for robust, sustainable markets and for rich civic life – without factoring in public health, environmental integrity, educational opportunity, vibrant arts and cultural activities and on-ramps for low-income people to enter the economic mainstream. Switch the entry portal – to health, environment or any of our other programs – and the interdependence is equally clear.

These interrelationships are most evident, and most susceptible of philanthropic leverage, when investments converge in a particular place. We are actively considering whether, when and how we might target multiple program strategies in particular places. Our Detroit work aside, this is a far more complex operational proposition than it first appears. So we proceed with care.

3. Our work is rooted in effective partnerships with other sectors.

We recognize that because the challenges we seek to address are “adaptive problems” – problems that no single organization can address, problems for which the answers are unknown and problems whose solutions will require a change in beliefs, priorities and behavior – our effectiveness will require that we work hand-in-glove with different sectors to create a common agenda and to marshal shared resources.

Two quick examples: We’re working with private-sector financial institutions to crack the code on how to finance energy-efficient retrofits. We’re also helping to pull together the public, private, nonprofit and academic sectors in an effort to craft a new vision for how the city of Detroit imagines its future shape and functions.

4. We place a premium on working collaboratively with other foundations.

When we seek to identify our added value in a field, it is increasingly done with reference to close working relationships with philanthropic partners. The Environment team has partnered closely with the Energy Foundation, the Doris Duke Endowment, the Rockefeller Foundation, the Surdna Foundation, and the Wilberforce Foundation, among many others.

Detroit has particularly close working relationships with the [Ford](#), [Knight](#), [Kellogg](#) and local foundations.

The Human Services team has been influenced significantly by the aggregated capital work of the [Edna McConnell Clark Foundation](#).

The Education team works intensively with the [Lumina](#), [Gates](#) and [Wal-Mart](#) foundations domestically and with the Ford, [Carnegie](#) and [Mellon](#) foundations in South Africa.

5. We continue to recognize the importance of sound capitalization practices.

This is where our legacy is most influential: We're building on Kresge's long-standing familiarity with buildings and capitalization practices. Our Health team has elevated the importance of community-based clinics. The Arts team has contributed materially to a national conversation about sound capitalization practices, both through maintenance and renovation and through improved business planning.

6. We are developing a suite of tools to unlock nontraditional sources of capital on behalf of nonprofits.

Our aspiration is to integrate into each of our program areas a comfort with, and utilization of, tools emerging from the Social Investment Practice – from short-term zero-interest bridge loans to longer-term collateralized but below-market loans, from loan guarantees to linked cash deposits and other tools.

How we structure and implement our Social Investment Practice holds the potential to be a powerful defining characteristic for Kresge. It asks within each of our programs how we can better contribute to a field by identifying where the success of our strategies is impeded by the absence of capital. We can then apply against those impediments financial tools of various shapes, sizes and functions. It is equally about program strategy advancement as it is about the deployment of innovative tools.

Maintaining Our Focus

We invited [Robert Greenstein](#), the founder and president of the [Center on Budget and Policy Priorities](#), to have dinner with the Kresge trustees the evening before our September board meeting. Bob's message was sobering, to say the least. After describing the potential presented by budget-reduction pressures for an extensive unraveling of the social safety net, he advised us to recommit to a portfolio of strategies that blend the here-and-now support for people in need with the longer-term imperative of improving low-income and vulnerable people's social and economic situation.

He observed that private foundations' potential for impact has never been greater. Philanthropy's priorities will be subjected to a continuing stress test of whether they are doing enough fast enough in the short term

and whether they are pointing in a direction of new, more effective ways for reweaving a fabric of necessary community supports in the longer term. At Kresge, we believe that our basic program framework will weather these stresses well. But we also recognize the need to be alert to the possibility that even more – or a different form of response – is needed. We intend to bring that openness and flexibility to our future work. I welcome your thoughts.

Thank you,
Rip Rapson
President