



## Creative Philanthropy and Smart Cities

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**Abstract.** *The “creative philanthropy” is more and more present in recent debates and studies, along with models of “charity/ service”, “scientific/ philanthropy” or “new scientific” approaches. Belonging rather to the third model, “creative philanthropy” is a basic characteristic of the new philanthropy at the beginning of the 21st century that offers some of the funds to take a different way to help the society. Anheier & Leat (2006) appreciate that “philanthropy is experiencing a crisis due to a lack of awareness about the potential that foundations could have. The ability to overcome this crisis provides the key to reinventing philanthropy as a central institution of modern society”. In this context, creative philanthropy becomes a central issue of today’s philanthropic foundations. The progress of smart cities is to be added to the issues researched before. Recent field literature offers a numerous example of cities where “philanthropy is integral to progress”. This study is a detailed approach of the conjunction/contiguity between creative philanthropy and smart cities, offering arguments and development support for more extensive studies in the future.*

**Keywords:** *creative philanthropy, smart cities, innovation.*

**JEL:** D64.

## Introduction

In my talk I present the activity of some creative funds and the problems they choose to solve. I argue that such funds can be integrated into the development of tools that will help smart cities to improve the life quality they provide. The creative grants making foundations have the ability to help in defending and developing new approaches to improve life quality in smart cities.

The discussion today is about the connection between two terms: “philanthropy” and “smart cities”, and is especially about the contribution that “creative philanthropy” needs and can add to the well-being of the residents of these cities. I will first define the two terms- creative philanthropy and smart cities. Then, I will suggest a way in which the two terms can be combined for the benefit of the residents in the smart cities.

Until the end of the 19th century, the world has been dominated by three main methods of helping the needy, each method was developed and molded according to the existed understanding of the needs and what is proper to do at that time, and to the purpose’s donors will be willing to donate. During the last century needs changed new approaches and methods had to be developed to meet the updated needs.

The earliest approach that started during the biblical period and lasted until the 19th Is the charitable approach. (Harrison and Andrews 1946; Andrews 1974; Parochaska 1990; LAGEMANN 1999; Smmith 1989; Scealander 1997; Karl and Karal 1999) According to that approach the once that can donate directly or through an organization gave money to the poor. This approach was developed because at that time governments did not gave any or adequately help to those who are unable to help themselves - the poor, the sick, widows, orphans and so on. This help was given primarily from a religious vision of doing good in the eyes of God, so that the donor would have a better life in the next world. Help was given through various religious organizations, groups of the rich, and various associations. According to this method, they gave food and money to the poor. Those who were lucky enough were included in the beneficiary group, the rest needy once were not affected and the general systems did not change. The hope was that the various bodies would help until the government will take on the role of support (Anheier and Toepler 1999).

In the early 20th century, many opponents arose to this approach of “giving fish and not fishing rods” (Bulmer 1995,1999; Nielsen 1985; Karl 1997; Smitt and Borgmann 2001). The opponents advocated an approach that argued that before giving out money the community should investigate the causes of poverty and

solve scientifically the causes, once the cause is resolved the problem will disappear. At that period western world was fascinated by the development of science and engineering and was convinced that all problems could be solved by using engineering and or science. With all due respect to that approach and although many governments have also joined the effort to solve the issue of poverty, it has not been resolved and there are still people who cannot take care of themselves and their families.

Additional approaches to philanthropy have developed - strategic philanthropy, venture philanthropy, social investment (Breiteneicher and Marble 2001; Carrington 2002; Emerson 2004; Porter and Kramer 1999; Reis and Clohesy 2001). It is now common to call all of these methods collectively as “new scientific philanthropy”. Those approaches came to the world as the new donors that usually are business owners are used to think in a certain way and they want to see the philanthropic entities managed as businesses, in which everything including overhead cost control, performance and results are measured and reported. Some times the cost of measurement and reporting was more than the donation.

In addition to the new settings during all the time and, in parallel, various charity organizations continue to donate money to the needy-to education, health care, medical research and various religious needs.

In light of the large amount of money transferred to philanthropy recent years, many new funds and charity organizations starts to operate. On top of the philanthropic funds the governments increased involvement in helping the needy, some funds understood that in order to be attractive to the donors they have to be unique, they have to develop an additional approach to using donors' funds, see “Creative Philanthropy” (Halmut K. Anheier, Diana Leat 2006).

As per the approach in the book the world of philanthropic funds or organizations can be split into two gropes: Group A – the big one that will include entities, Charity organizations and funds that raise money every period and spend the money for pre-defined purposes. Group B will include mainly funds that have money or money's worth that allows them to operate over time regardless current donations. Usually, those funds spend each year only up to the profits they get from the money or property they have. Those entities or funds that are free from the constant need of raising donations and form the constant need to please the donors, can and should develop another model of philanthropy. They can be more creative, take bigger risks, they offered the name – “Creative grants making foundations”. These funds need to add additional capacity to the philanthropic

world (Anheier and Leat 2002). The funds need to create for themselves a unique role of developing innovated thinking and tools to implement the innovative solutions to problems. They have to try new things which some of them may fail. The tools and ideas that will prove themselves over time can be given to others for duplication.

On December 2018 “The Chronicle of Philanthropy” published a special addition regarding “Philanthropy and City” in which the philanthropic specialists Drew Lindsay Ben Gose, and Alex Daniels described the contribution that local philanthropy made to help the cities Denver, Chattanooga, Columbus and Tulsa. As we will see: the work that the local citizens and local business was important but that it was mainly contribution of money to develop the local services. The proposition in this paper is to use creative philanthropy funds to develop new tools and ways of thinking that will be incorporated in the developing of smart cities the cities that will be included in the projects and other cities that will adopt the solutions.

The topic of smart cities will be discussed at this conference, and for the purpose of my discussion I adopt the definition that was presented at the 6<sup>th</sup> conference for smart cities in India: “a smart city is a high-tech city that in fact largely includes the most advanced technologies to enable their citizens a better life quality or alternatively a futuristic city that seeks to alleviate obstacles to rapid urbanization. A city that is runed more efficiently by using real-time systems in order to provide good service. I prefer not to go into the definition of “what is better life’ or better life to whom” I will leave that questions to be answered by each city citizens.

There are several examples of a smart city that have been originally established as a smart city: Masdar at Abu Dhabi, Songdo in South Korea, IT valley in Portugal. Unfortunately, none of them is a success (*see report at ICACC 2016 in India*) but there are many cities in the world that have adopted various components of smart city to improve city management of energy, transportation, water, Waste, Health, Security and Communication with Citizens (<http://bsigroup.com/LoccalFiles/en-GB/smart-cities/resources/BSI-smart-cities-report>).

The Ministry of Urban Development of India announced that up to 2023 they will include 100 cities in the program of smart cities. The US Department of Transportation launched on December 2015 the Smart City Challenge asking mid-size cities to develop ideas for an integrated, first-of -its-kind smart transportation system” 78 cities accepted the challenge and submit id̄as and willingness to invest.

There are now accepted standards for examining smart cities and for cities that want to become smart cities, a very well-known standard system is the BSI of the UK.

Different cities have different reasons to why they want to become smart cities and the common reasons are: to improve efficiency in city management, changing the positioning of the city, improving sustainability (Arbes. R and Bethea, C. (2014), promoting economic development and so on.

The literature presents 6 principles in smart city development (Joshi Sujata, Saxena Sakshan, Godbole Tanvi, Shreya, 2016) Social, managerial, economic, legal, technological and sustainability. Once the city management takes into the considerations these factors the development of smart city will succeed.

The importance of smart cities increases greatly if one takes into account that according to a 2012 UN report; about half of the world's population are moving to cities and the urbanization trend is large. Cities in their current state will probably not be able to afford a reasonable standard of living for the growing population (BORJA, J. Counterpoint 2007; Toppeta, D. 2010.).

### **Creative grants making foundations**

In order to discuss later the possible contribution to the smart cities I will represent some Creative funds and the contribution they give to the community they operate in.

Although these are philanthropic foundations it seems that their contribution is not necessarily in the areas of helping the poor but in improving the quality of life of the community and state in which they operate. I will introduce different approaches of innovative philanthropic funds so that we can use them or similar ones to improve the quality of life in smart cities.

### **The Wallace Foundation**

This is a family foundation that was established at 2003 as a result of merging of some smaller funds that the family had. At 2004 they had 1.3 billion US\$ and distributed 61 million US\$. The foundation currently has 10 board members.

The Wallace Foundation has three objectives:

- Strengthening education leadership to improve student achievement
- Improving after-school learning opportunities; and
- Expanding participation in arts and culture

President's message, Wallace Foundation 2003 said "A single goal unites our work in each area: to foster fundamental improvements not only in places where we make grants but also in places where we do not. We have a single way of working: we invest in both the development of innovative ideas in specific sites, and in the development and spread of knowledge to inform policy and practice, not only in the sites we fund but also in many others beyond our direct reach. And, the real test of our success is whether practitioners and policy makers are persuaded by the evidence of our work to use it without our financial support.

### Sample of a Current program

Education Leadership Initiative: State Action for Education Leadership Project – its aim is to strengthen the ability of principals and superintendents to improve student learning, including a major effort to support innovation in the states' laws and practices.

As a result of the fund efforts the following changes have been made: shift from efforts to expand the labour pool of new school principals to a focus on strengthening the ways principals work (based on three labour market studies that firmly contradicted Case studies of the widespread assumption of a nationwide principal shortage); states had established ways of bringing together key constituencies to promote the importance of school leadership and evaluate possible policy options; five states had changed certification requirements; three had revised alternative licensure rules; and three enacted new leadership preparation standards. These changes are one example of the way in which a foundation-supported learning has had a significant impact both on grantees and more widely.

I will not list all the changes that this foundation has initiated and implemented but we have received a clear example of the contribution that such a foundation together with the community can make in identify a problem and find solutions in order to promoting the community.

### The Rosenberg Foundation

Max Rosenberg, a San Francisco businessman and philanthropist, died at 1931 and left the bulk of his estate to establish a foundation with broad charitable purposes.

In the year 2003 they had assets of about 60 million US\$ and gave about 3 million US\$ as grants.

Max Rosenberg gave a list of purposes the foundation might pursue, mainly oriented towards social justice and the “conditions of the working man”.

The foundation’s early grants were concentrated in the fields of public health, intergroup relations, education and community planning. In each of these fields the foundation had a particular interest in applications to rural California and the wellbeing of children in the state.

The foundation is recognized for its influential policy work on behalf of immigrants and minority communities. “Rosenberg’s work on immigration policy began in the 1980s, when it supported background and public education work leading to the passage of the US Immigration Reform and Control Act (IRCA) of 1986. The act provided opportunities for millions of undocumented immigrants to legalize their status and begin the process of naturalization. Through its networking and grantmaking, Rosenberg helped build a coalition of community groups, churches, employers and unions to help immigrants take advantage of this onetime opportunity” (Siska and Lamb 2003). In the 1990s, Rosenberg supported a successful legal battle to overturn California Proposition 187, which prohibited state public health and education providers from serving undocumented immigrants, and later an effort to prevent withdrawal of welfare benefits. “Through its work, more than 50,000 people were able to obtain US citizenship and protect their welfare benefits” (Siska and Lamb 2003). In 2003, the Rosenberg Foundation was one of three foundations that received the Paul Ylvisaker Award for Public Policy Engagement of the Council on Foundations.

### Drivers of a Creative Approach in the fund

In interview, the foundation’s current President attributes its adoption of a creative approach to five key factors:

- “Being the only game in town” when the foundation was started meant that there was no dominant model of how foundations work and, at the same time, lots of proposals and ideas coming through.
- The fact that the foundation began during the Depression, which heightened awareness of the nature and roots of poverty, especially in rural areas.
- Having a diverse board with a few strong personalities willing to take risks.
- Having a board made up of people who had the confidence to act creatively, and who did not feel that their personal positions were threatened by doing so.

- The recruitment of energetic staff who went out to look at projects and conditions, practicing “philanthropy as an interactive art”.

### The Joseph Rowntree Charitable Trust

This creative fund is active in the UK, donates out its profits about 5 million pound every year. Unlike the other funds it is involved in the national politics in promoting: human rights, freedom of information, fighting racism, strengthening underprivileged communities. The fund is also unique by using its investments in stocks to promote ethic “Trustees are advised by the Ethical Investment Research Service (EIRIS) on companies in the portfolio or being considered for it. ... If a company in which the trust has investments fails to fulfil its ethical criteria then the trust writes to tell them why it is withdrawing and, in some circumstances, might make that public.”

The trust’s current aim is ‘to show that, with Trustees and staff working together, a foundation like JRCT can stay at the forefront of creativity and innovation, can continue to take risks in tackling difficult and contentious issues, and can be a challenge to the status quo... [and] continue to be a powerhouse for social change to create a fairer and more just world’ (Joseph Rowntree Charitable Trust 2000–02: p. 5).

The trust describes the policy underlying its racial justice program as follows: “The Racial Justice program supports projects and individuals working to: promote issues of racial justice with policy shapers, decision makers and opinion 110 Case studies of creative philanthropy formers; empower black and ethnic minority people to contribute to policy development; challenge racism and racial injustice and promote communication and co-operation between different racial groups. The Trust seeks to encourage work aimed at furthering its objectives in the European Union (EU) as well as in the UK” (Joseph Rowntree Charitable Trust 2000–02: p. 24).

A study regarding the fund concludes that ‘by investing a comparatively small sum of money in the right place at the right time, the JRCT influenced policy debate.

This foundation is an interesting example of how a relatively small philanthropic fund has taken up the issue of promoting the quality of life in the underprivileged community of minorities by improving social justice, promoting understanding and recognizing interracial racial issues together with the community creatively in the region, country and beyond.

## The Victorian Women's Trust

This is a complete different creative philanthropic fund. This is a fund that is located at Victoria in Australia and its moto is mainly to make a difference in women's lives: the vision is of a "just and humane society in which women enjoy full participation as citizens, free of poverty, discrimination and disadvantage". (www.vwt.org.au).

On top of that different vision the fund was created by the government of Victoria to marked the 150th anniversary of British settlement in the region that later became Victoria, and was a gift to the women of Victoria in recognition of their role in the founding and development of the state. The gift of 1 million AS\$ was a nice act but it is not enough to enable them to do the activity they think is there mission. So, on top of the income from that amount they have to raise money, they collect membership fees, get individual donations, and grants from other foundations, and even from the government. Despite the financial pressures the fund is doing many activities and is leading processes that are changing the country. Out of all the projects I will mention only one that was published under the name "The Purple Sage Project".

The project was a response to "a widening gap between rich and poor, continued high unemployment, reduced standards of community service, increased strain on local communities... the loss of public assets, racism and social tension, and a serious erosion of our democratic rights and culture." (Victorian Women's Trust 2000: p. 5).

Using a system that is similar to round tables they set up thousands of groups across the country, groups discussing issues that concern the public. The process made people talk to each other and show them that the problems are not personal, they are general ones. The groups came up with ideas and prepared detailed working papers. The documents were compiled and the conclusions were refined and published publicly. The publication created expectations for change and in the elections that followed the publication, the government fell. There were claims that the post had a part of the fall.

Helped to defined correctly the problems and offered solutions.

Gave hope to improve immigrant's life quality by pushing to change state laws, helped to create community coalition to enable the application of the laws.

Fight national wide and abroad to improve life quality of underprivilege people by using national politicians. Promote women rights.

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## Conclusions

The accelerated process of urbanization as seen in practice and as reflected in UN reports requires city administrators to change the form of city management, by using advanced computing technologies to improve the physical system of cities and to become smart cities. Countries have understood the challenge, different countries are working to promote hundreds of existing cities to smart cities.

As a result of physical location, economic ability, image composition, vision, etc. the challenge is complex, the needs in the different cities are not the same.

Establishing new smart cities from scratch is a very big challenge that requires an investment that does not seem to be possible to raise.

Existing city managers are interested in improving the quality of life in cities by investing in existing technology, the decision on the directions of development is often random depend on the aspirations of the politician's aspirations or depending on the city economic capacity or the quality of the technology salesman.

The physical issues are handled by engineers and economists, they are very similar in the different cities. The issue of treating a weakened population is very different from the issue of dealing with the physical issues.

Questions like which problem solve, how to solve the problems, how to make the solutions accessible by the users, how to convince the residents to use the tools, are questions that have the most complex answers. In most cases the city administrations know how to operate the systems but not necessarily define new systems. The tool that exists today in many countries – Creative grants making foundations is a tool that has the money, knowledge and experience to mobilize the community to define social problems and develop solutions. Those funds have the ability to distill the solutions so that the ideas can be transferred from one city to another while making the necessary adjustments. I suggest to the city managements to turn to collaborations that will give the funds the uniqueness and impact on the quality of life in the future city and improve the quality of life as the city managers want.

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