



Discussion Paper:

Establishment of an Association of Nonprofits for the United States Virgin Islands

Prepared by: Foundation for Development Planning, Inc (FDPI)

Role of Nonprofits in Development

Civil society organizations have always played a role in the development of Caribbean communities, and that role has evolved from mainly volunteerism to social entrepreneurship and functioning as part of the delivery mechanism for public services. In recognition of that expanded role, civil society organizations are often partners in the development process alongside national governments and international organizations, such as [the World Bank](#).

The [discussion paper](#) prepared by Caribbean civil society organizations (Civil Society Consultative Working Group 2013) as input to the third international conference on small island developing states (SIDS) presented civil society organizations (CSOs) in the following way:

"Increasingly, Caribbean CSOs are playing a range of roles, independently or in partnership with government and other actors as:

- **Service providers:** delivering services to meet societal needs such as education, health, food and security, community economic development; implementing natural resource management; undertaking disaster management, preparedness and emergency response, especially at the community level
- **Experts:** bringing unique knowledge and experience to shape policy and strategy, and identifying and building solutions on social, economic and environmental issues
- **Capacity builders:** providing education, training and other capacity building via informal as well as formal programmes for a wide range of target audiences and using a diverse set of capacity building approaches including innovative use of information and communication technologies
- **Representatives:** giving power to the voice of the marginalized or under-represented, including poor communities and resource users who are otherwise excluded from decision-making processes
- **Watchdogs:** holding governments to account, promoting transparency and accountability
- **Advocates:** raising awareness of societal issues and challenges and advocating for change, including on a range of sustainable development issues
- **Innovators:** leading on new and emerging issues such as green economy, sustainable consumption and production, and renewable energy"

"When the training, research and development, and other technical services provided by academic institutions and CSOs is taken into account, the conceptualisation of the civil society sector that emerges is not an amalgam of groups that are beneficiaries of social programmes, but a distinct sector comprised of social enterprise actors. In this context, the civil society sector is often referred to as the Third Sector, joining government and the private sector as a critical arm in the development process."

The economic impact of the Third Sector is increasingly being documented in order to inform the perception and response by the community to civil society organizations as institutions important to the development process.

Nonprofits in the U.S. Virgin Islands

Nonprofit organizations in the U.S. Virgin Islands (USVI) operate a large number of programs and provide a range of services that contribute to the well-being of the residents of the USVI. The Directory of Community Service Organizations Serving the U.S. Virgin Islands 2016-2017 (Community Foundation of the Virgin Islands 2016) contains thirty four (34) service categories, which include vital social services such as:

- Shelter for the homeless,
- Protection of abused women and children,
- Family counseling,
- After school programs,
- Youth development programs, and
- Health care for the mentally ill, elderly, persons with HIV-AIDS, and a range of non-communicable diseases.

For several decades, community demand for services increased while funding support to nonprofits decreased. The stressed program delivery system reached breaking point in late 2012 and early 2013 due to factors such as increased demand for services, reduced funding, and capacity constraints in both the government agencies and nonprofits. The increased demand for services resulted from high levels of unemployment linked to the downturn in the U.S. economy, exacerbated by the closure of Hovensa in 2012 (at that time the largest private employer in the USVI). Some nonprofits are also faced with high operational costs resulting from operating deteriorating infrastructure, such as shelters.

It has been suggested that some of the capacity constraints in the civil society sector may be addressed through institutional mergers or program integration. To put it in context, there were 57 after-school programs, 63 youth development organizations, and 38 health support organizations listed in the 2016-2017 directory of community service organizations, in a population of approximately 104,000 persons (2014 data).

Anecdotal information provided by leaders in the nonprofit sector indicate that past analysis of funding constraints determined that the USVI economy is simply too small to generate the financial resources needed to meet the demand for social services provided by both the public and civil society sectors. The proposed solutions included building access to external funding sources, establishing sustainable financing mechanisms, and developing efficiencies in operations and service provision. The discussions also included recommendations to establish a cooperative mechanism for the civil society sector. The proposals were not implemented, and periodic shocks to the sector demonstrate its precarious state. The most significant shocks occurred in 2010 (when several nonprofits temporarily lost their charitable status due to non-compliance with revised Internal Revenue Service rules), in 2013 (when issues with government funding led to temporary closure of several nonprofits), and in 2018 (when the Government of the U.S. Virgin Islands issued notices to several nonprofits informing them of termination of funding from government programs¹).

Future shocks from continuing economic instability and natural disasters are anticipated, and concern has been expressed that the responsibility of stabilizing and building social resilience in the USVI community will increasingly shift to the civil society sector. Even partial acceptance of this role requires a coordinated approach to strengthening of the sector, as well as collaboration and alignment of programs to reduce duplication and waste, optimize efficiencies, and maximize impact.

The initiative to establish the [Nonprofit Consortium on St. Croix](#) is a significant response to the imperative for increased coordination and capacity development. The rapid expansion, and associated uncertainties, in the nonprofit sector following the impact of hurricanes Irma and Maria in September 2017 underscores the need for more coordination, cooperation, and system-wide focus. In that context, the Nonprofit Consortium initiative led by the St. Croix Community Foundation offers the potential for evolution into a territorial association of nonprofits, enhancing the [potential for collaboration between the association and the community foundations](#), and strengthening the sector as a whole.

Benefits of an Association of Nonprofit Organizations

Institutional membership in industry organizations provide a range of benefits that, typically, are difficult to obtain by institutions acting individually. In the USA, nonprofit organizations are subjected to extensive regulation, and as such, derive significant benefits by acting in concert. As a result, nonprofits have established state associations of nonprofits, which are further organized as a national network of state associations, represented by the [National Council of Nonprofits](#).

¹ The notices were subsequently rescinded by the governor.

[Membership in state associations can provide a range of benefits](#), including:

- Access to expertise and information to develop programs;
- Access to members-only newsletters dealing with issues relevant to the nonprofit sector;
- The opportunity to build strategic partnerships;
- Increased potential to be courted by the private and public sectors as viable partners in economic and social development;
- Support in advocacy;
- Cost savings from collective purchasing power;
- Discounts on special publications;
- Access to capacity development initiatives at low costs;
- Automatic membership in the National Council of Nonprofits; and
- Increased opportunities to promote the work of the organization to local communities and policy makers.

There is no association of nonprofits in the U.S. Virgin Islands, and discussions with several local nonprofit leaders indicate that past attempts to establish a territorial association of nonprofits failed for a variety of reasons. Despite the conditions and challenges of the past, the current situation necessitates new approaches, and offers the opportunity to seek solutions through the strength of collective action.

Purpose of the U.S. Virgin Islands Association of Nonprofits

The goal of the association is to increase the impact of the civil society sector by producing social outcomes that improve and sustain the well-being of the peoples of the U.S. Virgin Islands (USVI). This goal will be achieved by providing technical assistance to, and facilitating collaborative actions between, member organizations for the purposes of:

- (i) Building capacity for effective program and project design and implementation.
- (ii) Facilitating communication and cooperation among members of the association.
- (iii) Building linkages within programs and between program delivery organizations for increased efficiencies, reduction of program costs, and improvements in program outcomes.
- (iv) Coordinating advocacy on behalf of the USVI civil society sector.
- (v) Coordinating development of a permanent fund to provide sustained financing to USVI nonprofits that set common agendas and collaborate to solve specific social problems.

- (vi) Conducting research, policy analysis, and development activities that advance the interests of the civil society sector.

Institutional Type and Membership Criteria

The territorial association of nonprofits will be registered in the U.S. Virgin Islands as a nonprofit corporation in accordance with the V.I. Code, and subsequently seek designation by the Internal Revenue Service as a 501(c)(3) public charity.

Membership criteria and obligations will be established by the articles of incorporation and bylaws of the association.

Proposed Steps in Establishing the Association

This discussion paper is to be circulated within the civil society sector in the U.S. Virgin Islands, inviting interested organizations to participate in the process of establishing the territorial association of nonprofit organizations. The subsequent steps in the process are:

- (1) Conduct an online meeting of interested organizations during the week of July 23-27, 2018. The Foundation for Development Planning, Inc (FDPI) volunteers to undertake this first task.
 - It is anticipated that the meeting will: (i) choose the name of the association; (ii) agree on tasks, responsibilities, and timelines for registration and start up; (iii) obtain commitments by institutions to be founding members; (iv) agree on a Resident Agent for the association; and (v) obtain commitment for hosting of the secretariat for an agreed period.
- (2) Preparation of draft articles of incorporation for review by the agreed founding members.
- (3) Registration of the nonprofit with the Government of the U.S. Virgin Islands.
- (4) Preparation of draft bylaws.
- (5) Hold the first meeting of the founding members of the association, which will include election of the board of directors and approval of the bylaws.
- (6) File approved bylaws with the Government of the U.S. Virgin Islands.
- (7) Conduct a membership drive.

- (8) Submission of the application to the Internal Revenue Service for tax exempt status as a public charity.
- (9) Registration of the association with the Council of Nonprofits.
- (10) Seek funding and technical assistance to hire staff and establish office.

For more information on this important initiative, contact:

Lloyd Gardner
President
Foundation for Development Planning, Inc (FDPI)
Tel: 340-513-3562
Email: president@fdpi.org

Information Sources Referenced

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Community Foundation of the Virgin Islands. (2016). *Directory of Community Service Organizations Serving the U.S. Virgin Islands 2016-2017*. Community Foundation of the Virgin Islands, St. Thomas, U.S. Virgin Islands.

University of San Diego. (2014). *Causes Count: The Economic Power of California's Nonprofit Sector*. California Association of Nonprofits, California, USA.

National Council of Nonprofits: <https://www.councilofnonprofits.org/>

St. Croix Nonprofit Consortium: <http://www.stxfoundation.org/non-profits/nonprofit-consortium/>

World Bank and Civil Society: <http://www.worldbank.org/en/about/partners/civil-society#2>

Foundation for Development Planning, Inc.

2369 Kronprindsens Gade, Suite 8 – 301

St. Thomas, U.S. Virgin Islands 00802

Tel: +1 (340) 513-3562

E-mail: info@fdpi.org

<http://www.fdpi.org>

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